SELF-CONTAINED APPRAISAL OF

2552 St. Philip Street
New Orleans, LA 70119

OUR FILE NO. 12-218

FOR

City of New Orleans
City Hall, Suite 5W06
1300 Perdido Street
New Orleans, LA 70112

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September 10, 2012

Ms. Martha J. Griset
Real Estate Administrator
City of New Orleans
City Hall, Suite 5W06
1300 Perdido Street
New Orleans, LA 70112

Re: Self-Contained Appraisal of
2552 St. Philip Street,
New Orleans, LA, 70119
Our File No. 12-218

Dear Ms. Griset:

An appraisal of the above captioned property is herein submitted for your review. This appraisal is based upon a number of enclosed assumptions and limiting conditions. All of the data considered pertinent in arriving at an "as is"estimate of the Market Value of the Fee Simple Interest in the subject property has been considered. This valuation estimate has been made as of August 22, 2012. The Market Value of the subject property has been determined in its present condition.

The term "Market Value" is defined as follows:

> "The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each actively prudently and knowledgeably, assuming the price is unaffected by undue stimuli . . ."

The subject consists of an rectangularly shaped site situated on the southwest corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. The site contains ±6,549 SF and is improved with a ±6,291 SF, vacant commercial building. The facility was originally constructed in 1902 as a police station. Later, the building was utilized as a community center. The property has been vacant since Hurricane Katrina and is in shell, "unrenovated" condition. The subject is zoned "RD-3", Two Family Residential District with a "conditional use" overlay.

As a result of the enclosed analyses, it is the appraisers' opinion that the "as is" Market Value of the Fee Simple Interest, as of August 22, 2012, is ......

ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS
$175,000

The estimated future marketing time for the property from one to three years (see Scope of the Appraisal Section). The market value estimate above assumes that the marketing period has already passed (exposure time) and that this is the price that was negotiated as of the effective date of the appraisal. Exposure time is assumed to be one to three years.

Transmitted herein is an appraisal report showing the value conclusions and techniques used in arriving at those conclusions. This report is prepared in accordance with our interpretation of current federal regulations which state that the level of detail within the report must be commensurate with the complexity of the real estate appraised. This valuation is also predicated on the Assumptions and Limiting Conditions found herein. This report also notes all requests from the client (found in the engagement letter).

This appraisal report has been prepared in conformity with, and subject to, the reporting requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP), Title XI of the Financial Institutions Reform, Recovery and Enforcements Act of 1989 (FIRREA).

Thank you very much for the opportunity to be of service to you. If you have any questions or comments with regard to any of the enclosed information, please do not hesitate to contact us.

Sincerely yours,

David O. Melancon

David O. Melancon, Associate
Louisiana Certified
General Real Estate Appraisal
License No. G1539

Bush G. Benton

Bush G. Benton, MAI
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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

PROPERTY ADDRESS:	2552 St. Philip Street, New Orleans, LA, 70119.
LEGAL DESCRIPTION:	Lot 13, Square 322, Second District, Orleans Parish, LA.
PURPOSE OF THE APPRAISAL:	To estimate the "market value" of the Fee Simple Interest in the subject property.
PROPERTY RIGHTS APPRAISED:	Fee Simple Estate.
PROPERTY DESCRIPTION:	The subject consists of an rectangularly shaped site situated on the southwest corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. The site contains ±6,549 SF and is improved with a ±6,291 SF, vacant commercial building. The facility was originally constructed in 1902 as a police station. Later, the building was utilized as a community center. The property has been vacant since Hurricane Katrina and is in shell, “unrenovated” condition.
ZONING:	RD-3, Two Family Residential District
DATE OF VALUE ESTIMATE:	August 22, 2012
VALUE ESTIMATES:	
Land Value Estimate	$40,000
Sales Comparison Approach	$175,000
FINAL VALUE ESTIMATE:	$175,000
APPRAISERS:	Bush G. Benton, MAI David O. Melancon, Associate

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report is subject to the following conditions and to such specifications and limiting conditions that also might be set forth in this report. These conditions affect the analyses; opinions, and value conclusions contained in this report.

2. It is assumed that the property is owned in Fee Simple Title. Fee Simple Title implies that the property is owned free and clear, unencumbered and unless otherwise specified. There are to be no leases, liens, easements, encroachments or other encumbrances on the subject property that have not been specified in this report.

3. No responsibility is assumed for matters of a legal nature affecting the appraised property or title. This appraisal assumes that the subject property is presented with a good and marketable title unless otherwise specified. The appraiser(s) has not rendered an opinion as to the title and does not have the expertise to do so. Data on ownership and legal descriptions were obtained from sources generally considered reliable.

4. The property is appraised assuming it is to be under responsible ownership and competent management. Unless otherwise specified, the property is assumed to be available for its highest and best use.

5. Any survey contained in this report is assumed to be true and correct, and it is also assumed that there are no hidden encroachments upon the property appraised except as noted. Any sketch prepared by the appraiser(s) and included in this report may show approximate dimensions and is included to assist the reader in visualizing the property only. The appraiser(s) has not made a survey of the property and does not warrant any surveys or other presented plans or sketches.

6. The appraiser(s) assumes that there are no hidden or unapparent conditions of the property, subsoil, or other structures, which would render it more or less valuable. The appraiser(s) assumes no responsibility for such conditions or for engineering which might be required to discover these factors. This includes the presence of unusual/extraordinary mineral deposits or subsurface rights not typically transferred with normal comparable data (i.e., valuable mineral rights associated with oil/gas production, etc., are not part of this assignment).

7. Any distributions of the valuation of the report between land and improvements apply only under the existing program of utilization. The separate valuation for land and building must not be used in conjunction with any other appraisal and are invalid if used in conjunction with any other appraisal.

8. No responsibility is assumed for changes in matters that are legal, political, social, or economic which could affect real estate values that take place after the effective date of this valuation.

9. Information, estimates, and opinions furnished to the appraiser(s), and contained in the report, were obtained from sources considered reliable and believed to be true and

correct. However, no responsibility for the accuracy of such information furnished to the appraiser(s) during the appraisal process is warranted by the appraiser(s). The appraiser(s) assumes no responsibility for the accuracy of such information as measurements, survey, title information, and other information furnished by comparable sales data found in courthouse records and information obtained from realtors and other parties during any type of comparable survey.

10. This report is predicated upon the assumption that the property has reached a stabilized occupancy as of the date of valuation, unless otherwise noted.

11. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner and in accord with the referred to plans and specifications.

12. The appraiser(s) is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have previously been made therefore with additional compensation typically required.

13. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

14. Neither all nor any part of the contents of this report, especially any conclusions as to value, identity of the appraiser(s) or the firm with which he (they) is connected or any reference to the Appraisal Institute shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without prior consent of the undersigned. Further, if this report is released to a third party for review (even with the knowledge of the appraisers), warranty of the report's content is not considered transferred. The appraisers owe a contractual duty only to the original client as to the accuracy of the ultimate value conclusions found in the report for which they have been paid a fee. Reliance on this report's accuracy by a third party in any decision making process is done so at the **SOLE RISK** of the Third Party unless the appraiser(s) has been re-contracted.

15. It is assumed that the subject property is in full compliance with all applicable federal, state, and local environmental regulations unless non-compliance is stated and otherwise considered.

16. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser(s). The appraiser(s) has no knowledge of the existence of such materials on or in the property. The appraiser(s), however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials or gases may affect the value of the property. The value estimate is predicted on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged

to retain an expert in this field, if desired. This report further assumes that there are no under/above ground storage tanks of any kind on the property (unless otherwise noted). Possible leakage problems have not been addressed. The site history of the subject property has not been explored, nor has the historical land use patterns of surrounding properties been investigated. Again, the appraiser(s) has not addressed any environmental issues that might affect value. This report assumes that no such issues of any kind are present or affecting the Fee Simple Value in any manner (unless otherwise noted). The appraiser(s) urges the client to retain an outside environmental expert to determine the subject property's status from this perspective.

17. The appraiser(s) has personally inspected the property and finds no obvious evidence of structural deficiencies except as stated in the report. However, no responsibility for hidden or unnoticed defects is assumed. No responsibility for conformity to specific governmental requirements (such as fire, building and safety, earthquake, or occupancy codes) can be assumed without provisions of specific professional or governmental inspections.

18. The appraiser(s), again, has personally inspected the subject property and found no evidence of termite damage or infestation (unless otherwise noted). No termite inspection report was made available to the appraiser(s). The appraiser(s) is not responsible for damages resulting from any type of insect infestation whatsoever. This is beyond the scope of the appraisal assignment.

19. No consideration in this appraisal assignment has been given to personal property placed on the premises, or to the cost of moving or relocating such personal property. Only the value of real estate has been considered. The appraiser(s) has no knowledge of the liquidation value of personal property and is not an expert in determining the contributory value of the FF&E with regard to the going concern value. For this type of valuation, separate reports must be rendered by experts in the field.

20. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. We may (at our discretion) address some likely problems associated with the new law. This should in no way be construed as a complete, full compliance survey or study of the subject property. It is possible that a full compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance. If so, this fact might have a negative effect upon the value of the property. I (we) generally did not consider possible non-compliance with the requirements of ADA in estimating the value of the property. We are not qualified to determine compliance or non-compliance. We do not warrant any consultant's report found addressing this problem. We have taken into account in this valuation both the fact that no professional compliance survey has been completed on the subject building and that the status of compliance or non-compliance of the comparable sales used herein is unknown when forming our opinion of value. We take no responsibility for the precise accuracy of the handling of this matter.

21. The EPA will soon ban production of CFCs (chlorofluorocarbon coolants). As a result, other types of refrigerants will have to be used in existing air conditioning systems (coolants such as HCFCs, hydrochlorofluorocarbons) and HFCs (hydrofluorocarbons). The appraisers have not addressed problems concerning retrofitting of air conditioning systems within the subject. Most buildings will switch slowly to HCFCs and this appraisal assumes that no problems will occur within the subject property for this type of compliance (when and if it happens).

22. Flood hazard information is reported for information purposes only. The appraisers assume this to be the latest flood zone information and maps. The appraisers are not engineers or experts in this field. If the client wants an exact flood zone determination, the client is responsible for obtaining an expert in the field.

PREMISE OF THE APPRAISAL

Intended Use of the Appraisal

The intended use of this appraisal report is exclusively assist the client regarding the sale of property through auction. This report is intended to be used only by the client. Use of the report by others is not intended by the appraisers.

Purpose of the Appraisal

The purpose is this appraisal is to estimate the "as is" Market Value of the Fee Simple Interest in the subject property.

The term "market value" is defined by the United States Treasury Department, Comptroller of the Currency 12 CFR part 34, & 34.2 (f) as,

> "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Effective Date of the Appraisal

The effective date of this appraisal is August 22, 2012.

Property Rights Appraised

The property rights appraised are the Fee Simple Estate.

Definitions

The term "Fee Simple Estate" is defined in the *Dictionary of Real Estate Appraisal*, 4^{th} Edition as follows:

"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

According to USPAP Standard Rule 1-2(b): When estimating market value, the appraisers should be specific as to the estimate of exposure time linked to the value estimate. The definition of exposure time may be defined as "the estimated length of time the property interest being appraised would have to be offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon the analysis of past events assuming a competitive and open market". The estimated theoretical exposure time is about one year. The estimated future marketing time is also about one year.

Exposure Time

Exposure time is defined in the Uniform Standards of Professional Appraisal Practice (1995 Edition, Page 71) as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market".

Based upon all of the information contained in this report, as well as information gathered through the appraisal process (which includes interviews with brokers, tenants, property owners, local government officials, etc.), it is the appraisers' opinion that the subject of this appraisal within the surrounding environment (both macro and micro economic factors considered) would have had an exposure time of about one year. This estimate is based on the property being exposed for sale on the open market at a price in line with the market value estimate shown herein and with the property being aggressively marketed by a quality/experienced brokerage firm (allowing for high visibility and a determined marketing effort). Exposure time is a theoretical concept included in this report solely because of its requirement by USPAP. Real estate by its physical characteristics is an illiquid commodity. Real estate markets in general are imperfect by their very nature. Individual parcels of real estate are each inherently different with their own specific characteristics. An extraordinary sales effort at any point in time (even when supply and demand of the market is present) might not result in a rapid sale. Further, a quick turn around can occur for an unusual piece of property with little or no marketing effort when a specific buyer desires a particular piece of property at a given point of time. Therefore, any estimate of exposure time that was theoretically extended prior to the date of the valuation as a condition of valuation cannot be relied upon to represent what in fact would have happened. The reader of this report should not rely in any way on the exposure time estimate herein in conjunction with any decision making process.

Please note that "exposure time" is not the same as "a future marketing period" or, stated another way, "an estimate of marketing time for the subject". Marketing time is defined as "an estimate of the amount of time it might take to sell a property interest in real estate at the estimated Market Value during the period **immediately after** the effective date (valuation date) of the appraisal." (Source: USPAP Advisory Opinion G-7). Throughout this report, the assumption for the interest appraised is that it can be marketed in the future within a period of one year (unless otherwise stated). Further inherent in this assumption is the idea that all factors relating to the property appraised (both physical and economic) remain the same. Please be aware that past marketing times reported by the sales information is not necessarily indicative of future marketing times. Again, there is no such thing as a perfect time indicator. Each property sells based on its own unique characteristics within the marketplace. Marketing times and values are based on the appraisers' perception of the market's movement at the time of appraisal.

THE VALUATION PROCESS

The valuation process begins when an appraiser fully identifies the appraisal problem and ends when the solution is communicated to the client. There are several basic steps in the appraisal valuation process that are listed and briefly described below.

1. Definition of the Problem:

   This step involves identifying the value estimate sought (market value, investment value, etc.), the property to be appraised and the property rights to be appraised in addition to the date of the value estimate, and the limiting conditions.

2. Preliminary analysis and data collection/selection:

   This step involves gathering information both specific to the subject property and information related to the general environment of the subject property such as social or economic trends.

3. Highest and Best Use Analysis:

   This step involves two separate analyses. First, the highest and best use of the site as if vacant is determined. Second, the highest and best use of the site as improved is determined.

4. The Application of the Three Approaches to Value will be explored:

   The Cost Approach is the value indication arrived at by estimating the current cost of reproducing or replacing the improvements, minus the loss in value from depreciation, plus land value (typically "as if vacant"). This approach is based upon the principles of substitution.

   The Sales Comparison Approach is the value indication arrived by comparing the subject property to other similar properties that have recently sold. This approach is based upon the principles of supply and demand, substitution, balance, and externalities.

   The Income Capitalization Approach is the value indication arrived at by capitalizing a property's future earning potential into a present value estimate. This approach is based upon the principles of anticipation, supply and demand, substitution, balance and externalities.

5. Reconciliation of Value Indications and Final Value Estimate:

   All of the applicable approaches have strengths and weaknesses when applied to any particular property. The value conclusions reached under each appropriate method as applied to each specific appraisal assignment are subsequently reconciled and a final value estimate for the subject property is then set forth.

The subject will now be valued using the appropriate approaches to value.

SCOPE OF THE APPRAISAL

The scope of work (type and extent of research and analysis) is based on what is required to produce **creditable assignment results** in the context of the intended use. Creditable results are defined as "results that require support by relevant evidence and logic, to the degree necessary for the intended use. The results must be in compliance with the appraiser's peers." The appraiser's peers are defined as "those appraisers who have expertise and competency in a similar type assignment." As per the client's request, the appraisers are to produce a Self-Contained Appraisal.

The Scope of the Appraisal describes the extent of the appraisal process, i.e., collecting, confirming and reporting data. These three categories are discussed below.

Collecting Data

To perform the scope of work the appraiser researched to produce accurate information for valuing the property. This appraisal has been based upon a review of comparable sales, listings, etc. The appraisers also researched the local MLS , Deedfax, conveyance offices, etc., as well as other sources of market information. In addition, the appraisers have discussed the subject property with agents, brokers and other real estate professionals familiar with the subject market, etc.

The conclusions in this report include various appraisal techniques in order to produce an unbiased conclusion of value for the subject property. All comparables presented within this report have been personally inspected by the appraisers. Additionally, overall market supply/demand conditions have been researched. Our perception of the market has been combined with specific comparable data in order to determine present levels of demand, current price structure, and overall occupancy. This in turn was translated into an estimate of market value.

Confirming Data

Subject physical information was confirmed during inspections. The ownership of the property, as well as its taxes, were confirmed with the Parish Assessor's Office and courthouse records. All office file sales information has been verified with no less than one of the associated parties and the courthouse.

Reporting Data

The appraisal report contains two major sections which are described below. The manner in which the material will be presented and analyzed is discussed at greater length throughout the report. Please note that any and all Assumptions and Limiting Conditions will be listed in the section of the report with that title.

Subsequent to a brief outline of the underlying factors upon which this appraisal has been prepared, the first phase of the report contains an identification of the subject property and a review of the subject's three year past history of sales. An Area Analysis and Neighborhood Analysis set forth the relationship of the city and neighborhood to the subject property. The site condition, etc. are described in detail. The subject's zoning classification and its implementations, and the subject's conformity thereto, are presented. The subject's real estate assessment, levy and parity are discussed. The improvements are then discussed followed by a Highest and Best Use section. After which, all pertinent approaches to value are utilized to estimate the current market value of the subject property.

The appraisers inspected the subject; however, no inspection was done to the structural systems, etc. Noticeable conditions were noted. Unknown conditions may exist but the appraiser has only made a general inspection and only those noted were considered when valuing the property. If unknown problems do exist, there may be cause for reconsideration of the value conclusion. This appraisal assumes no title problems exist and/or deed restrictions, mineral leases, surface rights, easements, servitudes, etc. This also applies to the structural components of the property as the appraisers are not engineers. This appraisal considers the property to be free and clear of any environmental and hazardous problems.

The three steps specific to the appraisal process as defined by USPAP are: (1) identify the problem to the solved; (2) determine and perform the scope of work necessary to develop assignment results; and (3) disclose the scope of work in the report.

The problem to be solved

The appraisal problem involves estimating the current “as is” market value of the subject property.

The scope of work necessary

The subject property is identified by legal descriptions, surveys, and personal inspection. The subject property was inspected and photographed by the appraisers.

Disclose the scope of work

The subject consists of an rectangularly shaped site situated on the southwest corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. The site contains ±6,549 SF and is improved with a ±6,291 SF, vacant commercial building. The facility was originally constructed in 1902 as a police station. Later, the building was utilized as a community center. The property has been vacant since Hurricane Katrina and is in shell, “unrenovated” condition. The subject is zoned “RD-3”, Two Family Residential District.

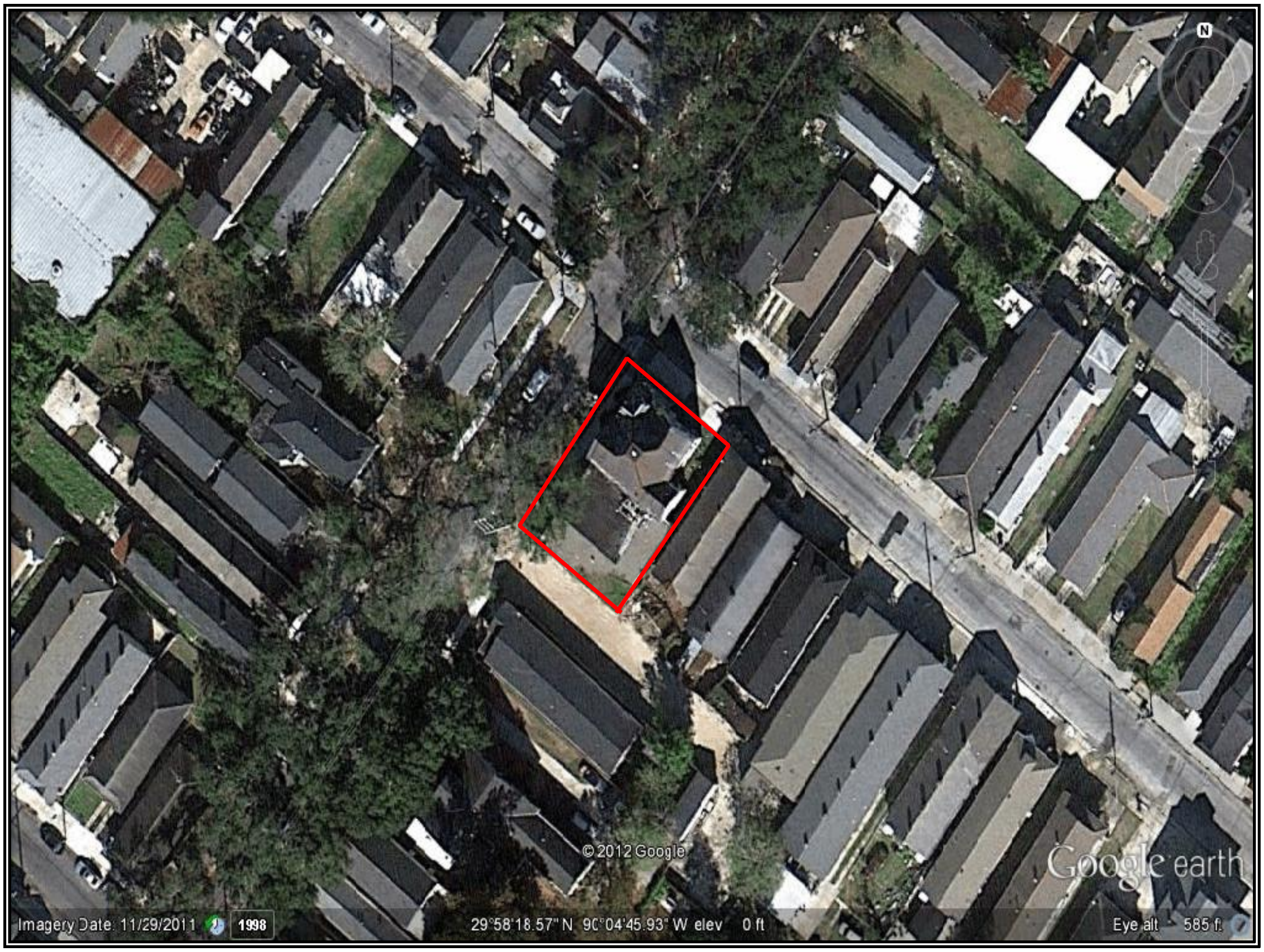
The subject is in poor condition. The stairwell accessing the second floor has partially collapsed. Therefore, the appraisers inspected the subject’s first floor area only.

The value of any moveable FF&E (Furniture, Fixtures and Equipment), as well as any other movable items, has not been considered.

According to officials at the Historic District Landmarks Commission, the subject is not historically designated.

This is a Self-Contained Appraisal. In order to comply with the assignment, the subject property was inspected to determine their physical conditions, construction quality and current occupancy levels. The appraisers will utilize the Sales Comparison Approach in order to value the property. Due to the age and condition of the improvements and after considering depreciation and obsolescence in the market place, a full Cost Approach is not considered germane and has been omitted. However, a land value will be estimated. As stated earlier, the building is considered to be in shell, "unrenovated" condition. In order to be placed back into commerce, a full renovation would be necessary (considering feasibility of redevelopment, etc.). Therefore, the Income Approach to value has also been omitted.

Aerial Photo



IDENTIFICATION OF THE SUBJECT PROPERTY

The property that is the subject of this report consists of an rectangularly shaped parcel situated on the southwest corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. The parcel is legally defined as Lot 13, Square 322, Second District, Orleans Parish, LA. The site measures 59′ front on St. Philip , same measurement in the rear, by a depth and front along N. Dorgenois Street of 111′ between equal and parallel lines. According to the appraisers' calculations, the site contains a total of ±6,549 SF.

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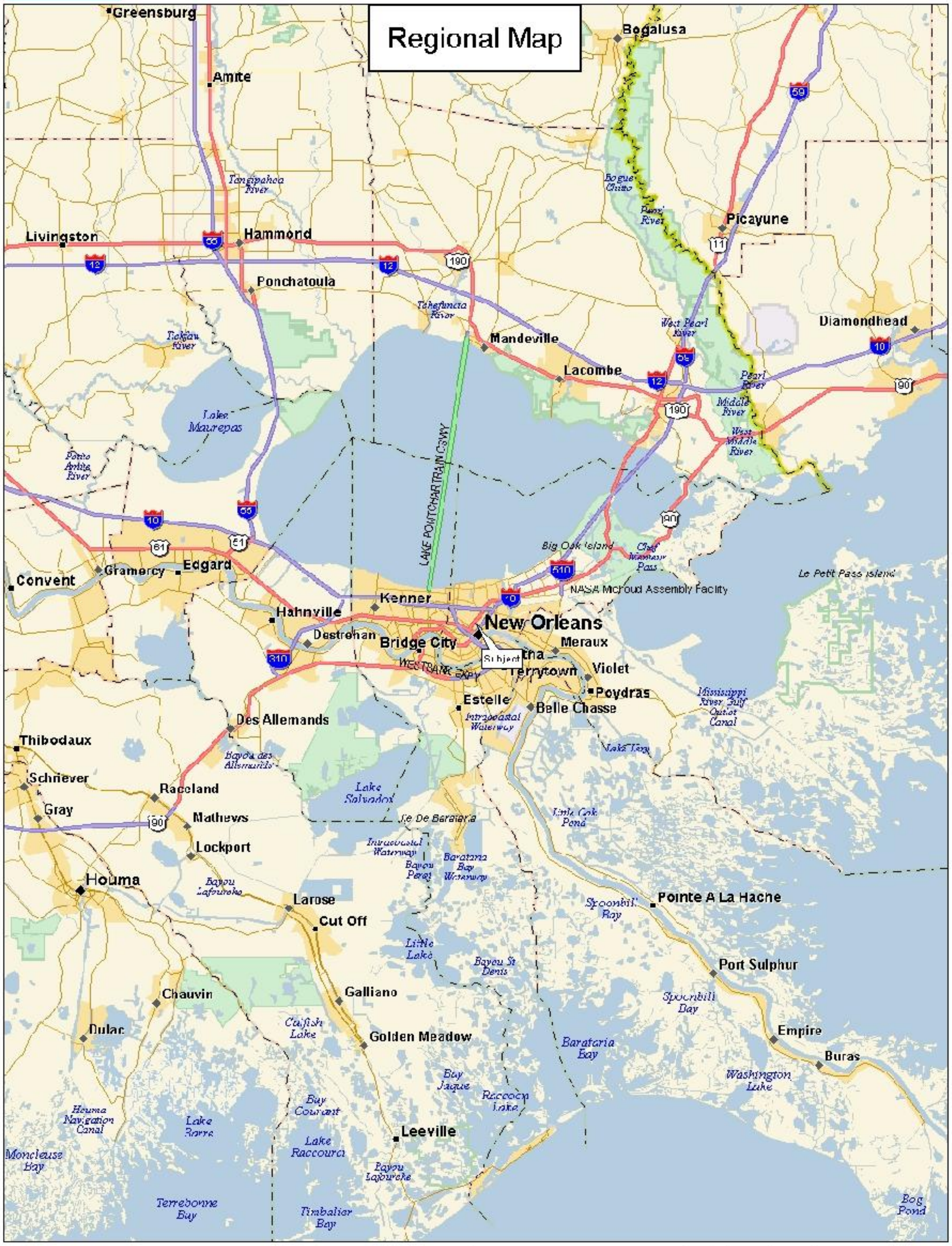

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REGIONAL/ECONOMIC ANALYSIS -
METROPOLITAN NEW ORLEANS/RIVER REGION
(Revised and Updated August 2, 2011)

This section has been compiled exclusively for Stegall, Benton & Associates by Dr. Ivan Miestchovich, Director of the Center for Economic Development at the University of New Orleans. Dr. Ivan Miestchovich is Director of the Center of Economic Development at the University of New Orleans (UNO). He is also co-author of "The Regional Real Estate Market Analysis for New Orleans and the Gulf South", a comprehensive report published by UNO which provides statistical data and analysis/projections regarding local/regional real estate markets. Dr. Miestchovich's assistance was enlisted in this endeavor because of his access to current statistical and other pertinent data, experience in studying and forecasting economic/real estate activity, and reputation as a prudent real estate/economic trend analyst. While all of this analysis was authored by Dr. Miestchovich, the appraisers provided guidance regarding content and fully reviewed/edited the presentation. This co-authored report section is accepted by the appraisers in accordance with appropriate Uniform Standards of Professional Appraisal Practice provisions.

Introduction

Strategic real estate investment and development decisions must respond to and anticipate forces of change in local and regional markets. These forces include economic, socio-demographic, political, and location linkages that have made the region what it is and what it is likely to become. Historic trends are a reflection of changes the region and its local communities have experienced. Some changes directly reflect decisions made by community and business leaders at various points in history. Others are directly related to cultural origins. Still other trends reflect structural shifts linked to changes at the national and global levels that influence economic development initiatives seeking to strengthen and diversify the community economic base. Such shifts were certainly evident prior to 2005's devastating hurricane season and they continue to unfold as the region recovers and rebuilds and faces new significant challenges. Most recently these have included the BP Horizon well explosions and subsequent massive oil spill as well as the announced closure or downsizing of major employment centers such as Avondale Shipyard (Northrup Grunman) and the Michoud Assembly Facility (NASA). The landscape remains challenged by the prospect of a double-dip global and national recession and/or credit crisis all of which could further damage already fragile business sectors in the region, particularly the Triple T's of Tourism, Trade and Transportation.

As the region approaches the six year anniversary of Katrina's landfall, rebuilding efforts are advancing in many areas while moving more slowly in others. Physical evidences of rebuilding are quite evident in parishes throughout the region, but particularly in Orleans and St. Bernard. Much of this continues to be fueled by massive federal investment in restoring and improving the flood protection system and with the influx of private investment leveraged by GO Zone financing incentives. This $30 to $40 billion worth of investment has provided the underpinnings for the construction and related sectors for the past five years and still represents a significant available resource going forward. In the more flood ravaged areas of Orleans and St. Bernard Parishes, the pace of rebuilding has accelerated with the increased flow of Road Home grants to assist residents with the reconstruction of their homes, although large portions of heavily damaged neighborhoods remain mostly untouched and sparsely occupied by both people and businesses. This situation is confounded by the fact that many recipients of Road Home grants have yet to begin rebuilding since the funds received were used for other purposes (i.e. pay down outstanding mortgages) thus leaving insufficient resources to make necessary improvements. In more than a few cases, Road Home grant recipients have violated the terms of their contracts by, in essence, "taking the money and running." The stark reality is that some of these neighborhoods face a decade or longer rebuilding process which in some cases may never restore them to their pre-Katrina status. The smaller footprint scenario is very likely one that will unfold over the long term despite feelings to the contrary and those neighborhoods that do redevelop will have a distinctly checkerboard or "Jack o' Lantern" pattern of land use into the foreseeable future. At some point, this emerging pattern of redevelopment will put increasing strain on already stressed local government budgets for maintenance and upgrade of vital infrastructure. This point will become increasingly evident as federal rebuilding funds are drawn down and more of the responsibility falls to municipalities, particularly New Orleans. Lower population and housing densities mean higher costs per unit spread over a smaller number of contributors to the local tax base. Raising taxes is never a preferred option, but is an inevitability on the horizon.

Despite recent job declines, Jefferson Parish remains economically strong. However, it still struggleswith the realities of urbanization and the sudden influx of displaced low and moderate income households from New Orleans. The burdens on the healthcare and criminal justice systems are very evident and are adversely affecting the quality of life in this once rapidly growing bedroom community. Furthermore, the acceptance of rental assistance vouchers by many apartment properties in Jefferson has further diversified the socioeconomic profile of the community, particularly in areas such as Kenner and some Westbank communities.

Parishes north of Lake Pontchartrain and west up the River Corridor continueto respond tosome of the population displacement impacts in terms of stressed physical infrastructure and increasing security and healthcare issues. This is particularly true in St. Tammany and Washington Parishes on the Northshore where road and school infrastructures felt the brunt of sudden and significant population growth. On-going improvements to highway corridors such as LA 21, LA 59 and US 190 have helped to alleviate some congestion stress but not entirely. This is also the case in parishes such as St. Charles and St. John the Baptist where the search for affordable housing and good public schools has attracted relocating households, particularly since Katrina, from neighboring parishes, such as Jefferson. Although the slowing pace of the recovery and economic growth has mitigated some growth pressures, these parishes will continue to face growth challenges. These challenges, however, have motivated many of these parishes to engage in the comprehensive planning process to guide future growth and informed land use decisions.

Over time, trends and patterns provide a basis for understanding what has been important to growth and development in the region as a whole and within its various sectors. They provide a framework for establishing how the region can position itself strategically to face the uncertainties, opportunities, and challenges of the future. Since Katrina, these have changed significantly and have been made even more complex by events such as the BP oil spill and the stagnant to deteriorating conditions unfolding in much of the national and global economy. The "uncertainty profile" has been notched up somewhat and this has obvious implications for the regional real estate market. This analysis addresses how some trends have been altered and the demographic and economic patterns that have unfolded to influence the real estate market. It also addresses the continuing difficulties presented by global and national economic conditions and how they are likely to impact the New Orleans region over the next 12 to 18 months.

The tables included provide a brief overview of the demographic and economic history of the New Orleans region. The New Orleans Region consists of eight parishes: Jefferson, Orleans, Plaquemines, St. Bernard, St. John, St. James, St. Charles, and St. Tammany. The region is located in southeast Louisiana and has served as the anchor of economic growth and point of notoriety for much of the state's history. In addition to these eight designated parishes, some tables and accompanying analysis includes the Northshore parishes of Washington and Tangipahoa. Both were impacted by the storm but have not suffered severe economic dislocations. As, both have been recipients of population growth from displaced Southshore residents as well as an influx of new and relocated businesses. Pre-Katrina these parishes were already experiencing growth, but Katrina,at least in the short term, accelerated it. During 2010, the pace of growth in these parishes and others in the region has slowed somewhat. In some cases, this is a result of people relocating back to the Southshore communities from which they were displaced as well as outmigration seeking better employment opportunities.

For the better part of three decades, the New Orleans economy not unlike other regionshas been a good news, bad news story. The good news was that the economy generallygrew, but it did so at a painfully slow pace. Net population gains were due largely to the natural increase of births over deaths, rather than net in-migration. The New Orleans economy has had minimal forward momentum, with job losses or slow growth being the norm across the spectrum of many business sectors. Over the past two decades, job growth has generally averaged about 1% annually on a net basis as has the region's total population. Growth rates in some years have drifted upward into the 2% to 4% range, but these were relatively short-lived periods of expansion subsequently mitigated by job losses and economic retreat. Katrina dealt a severe blow to the region's economy with an initial loss of over 400,000 jobs. Although recovery and rebuilding have replaced many of these jobs, total wage and salary employment remains locked at about 86% to 88% of where it stood just before the storm. And, while the region's unemployment rate remains comfortably below (at 8.0%) the U.S. average (9.3%), it has steadily trended upward over the past 18 months. This has slowed the pace of job growth and thus leveled the recovery rate.

Although the local economy was anything but robust prior to Katrina, the real estate market managed to remain fairly well balanced due largely to low interest rates and relatively low levels of new construction. There were no apparent excess inventories of space in either the residential or non-residential sectors and housing prices had generally flourished in an affordably attractive interest rate environment. For the most part, the region was bypassed by the excesses of subprime lending and unrealistic expectations in the commercial lending sector. Condominium sales had reached historic highs and several ambitious projects were announced but subsequently shelved or indefinitely postponed. Apartment occupancies remained level at 94% to 95% while new inventories of 500 to 800 units annually were absorbed. Rents edged up, but slow personal income growth and meager job gains held these in the range of 2% to 3% annually. In immediate Post-Katrina New Orleans, apartment occupancy levels for habitable units roseto 100% with virtually every property reporting very long waiting lists. Rents just after Katrina increased 15% to 25% depending upon location and unit type as price was no object for those needing shelter immediately.

The storm dealt a severe blow to the apartment sector of the real estate market as FEMA and SBA estimated that 186,155 renter occupied housing units in the region were either severely damaged or destroyed. In some areas, such as St. Bernard Parish and New Orleans East, the entire inventory of apartments was destroyed or severely damaged along with much of the other housing stock and inventory of non-residential buildings. In New Orleans East alone, over 8,000 units were destroyed or badly damaged. GO Zone financing incentives and Low Income Housing Tax Credits have been used to rebuild and add to the region's rental stock while the Louisiana Recovery Authority (LRA) introduced its Small Rental Housing Program to encourage property owners to rebuild affordable rental units in smaller properties (i.e. those <5 units) scattered throughout neighborhoods in the region, particularly Orleans and St. Bernard Parishes. The Small Rental Program, now administered by the Louisiana Office of Community Development, is responsible for the construction or rebuilding of 8524 rental units in the region. Most of these units (6,895) are located in Orleans Parish.

The sub-prime mortgage induced fiasco in the financial markets had a spillover effects on the marketability and value of tax credits. Locally, this complicated the financing of several projects as developers were unable to fill equity gaps. Consequently, projects with already thin cash flows and narrow debt coverage ratios have been indefinitely postponed or abandoned.As occupancy rates trended down and rents flattened, scarce equity infusionshave been a significant hurdle for these projects to overcome. It also became increasingly clear that the volume of LIHTC properties approved and placed in the development pipeline could very well overwhelm the market and create excess inventories of both affordable and market rate rental housing. Natural market corrections and increased scrutiny by the approving authorities (i.e. Louisiana Housing Finance Agency and the Louisiana State Bond Commission) thinned the applicant pool and reduced the pipeline volume to a market manageable level. Most properties entering the market over the next 18 to 24 months will be relatively small (under 80 units) and very often targets to special needs, deeply subsidized populations (i.e. the disables, homeless, etc.).

The retail and warehouse sectors were both experiencing modest gains in occupancy and positive net absorption of space through the first half of 2005. The office market had stabilized even with some continued downsizing in the mining (oil and gas) sector. Office space demand was particularly strong in suburban Jefferson Parish and St. Tammany Parish experienced a gradual expansion of small office complexes to house a steadily growing base of professional and service firms. The severe winds of Hurricane Katrina combined withits extensive flooding caused significant damage to many office buildings throughout the area. The evacuation and dislocation of firms from the city virtually emptied most major office buildings in the CBD, such as One Shell Square, Chevron Place, DominionTowers and the FreeportMcMoRanBuilding. Although most buildings are now reoccupied, a few sustained extensive wind damage and remain offline. Dominion Towers and the related New Orleans Center retail complex are being redeveloped as Benson Towers and the New Orleans Saints sports and entertainment complex. Chevron Place was vacated entirely as the company relocated its offices to a newly built facility in Northpark just south of Covington. This building was subsequently sold and is now being remarketed to accommodate new start-up and expanding entrepreneurial firms.

The retail sector was also severely impacted by Katrina related damage. In the immediate aftermath of the storm, every major shopping venue was either closed or operating on very limited schedules. Six years later most shopping venues are reopened or have been rebuilt and expanded. This is particularly true in Jefferson and St. Tammany Parishes where flood related damage was comparatively moderate. In St. Tammany Parish, the migration of displaced population fueled significant new shopping center construction as well as the building of many freestanding drug stores, dollar stores and family restaurants. In Eastern New Orleans, most major hopping venues remain closed or have been demolished. This includes facilities like the once 1.2 million square foot Plaza Mall as well as major "big box" retailers such as Wal-Mart, Sam's Club and K-Mart. Although redevelopment proposals have been floated for several of these now vacant sites, none has really gained the traction necessary to bring them to fruition. In St. Bernard Parish, the return of retail activity has been slow and remains dependent on itsrate of repopulation.The reopening of Wal-Mart and opening of a 117,000 square foot Lowes in early 2010 have contributed significantly to restoring the retail infrastructure in this parish.

In the warehouse sector, Katrinawas directly responsible for the removal of about four million square feet of space. The extent to which this space is ultimately returned to commerce depends on long term recovery in the region. Some older and more functionally obsolete structures have been demolished or adaptively reused for non-warehouse purposes (i.e. film and video studios, sound stages and motion picture equipment rental storage facilities). Distribution and warehousing firms continue to explore opportunities on the Northshore, particularly North of I-12. This area provides immediate access to the interstate highway network (I-55, I-59 and I-12/10) and to a number of markets experiencing growth. Because of relatively low land costs and business friendly character, Tangipahoa Parish has seen an influx of warehousing and distribution facilities and will likely continue to do so in the foreseeable future. Much of this activity is centered around the intersection of I-12 and I-55 and along U.S. 190 in the vicinity of the Hammond Regional Airport.

To put it mildly, Hurricane Katrina put a significant dent in the area's tourist and convention business. The storm heavily damaged the city's major venues for hosting conventions, trade shows and major sporting events. This included the Louisiana Superdome, the New Orleans Arena and the New Orleans Morial Convention Center. Combined, these three facilities sustained damages in excess of $250 million. In addition to the loss of sporting events, numerous conventions and group meetings were cancelled or postponed. All of these facilities are now reopened and available to host a full range of sporting and other events. In each case, the repair and rebuilding process involved additions and enhancements to these facilities. This was particularly true for the Louisiana Superdome which not only received a new sturdier roof but also expanded and enhanced general seating and upgrades and additions to the facility's box suites. Until the current economic downturn, convention bookings and attendance rosesteadily providing demand for hotel and lodging facilities as they are returned to available inventory. Through the end of 2010 the hotel occupancy in the New Orleans area averaged 64.7% while the inventory of available rooms rose to 35,161 or to about 91% of its pre-Katrina level. During 2009, the historic Fairmont Hotel reopened as the Roosevelt, while the badly damaged Hyatt Regency continues to undergo a complete rebuilding and restoration of its 1,170 rooms and the additions of over 300,000 square feet of meeting and convention space. When completed, this facility will serve as an anchor and focal point for downtown redevelopment along the Loyola Street corridor. Several major projects involving a mix of residential, retail and office uses have been proposed for this area and a streetcar spur from Canal Street to the Union Passenger Terminal has been approved and funded.

Tourism and convention officials continue their aggressive marketing efforts to promote the region and reassure travelers of the area's safety and security. Most recently these efforts have been focused on dispelling fears and misinformation about the BP oil spill. These efforts have made a significant difference and played a strategic role in being able to host major events such as Mardi Gras andJazzfests and other annual events that attract visitors to the region from throughout the nation and world. Foreign visitors consistently account for large shares of visitors to the region, particularly for special events such as Jazzfest and Mardi Gras. Significant visitor traffic and extended stays are also attributed to those with an interest in helping to rebuild the community. This remains true among professional groups meeting in New Orleans for conferences and conventions.

A prolonged national and global economic "funk"has been troublesome for local tourism and convention business. Leisure travel wasmostly flat through most of 2010 and as consumers adjusted travel plans to the reality of rising job losses and rising fuel prices.And, although convention business dipped as corporate America adjusted to squeezed profits and a growing litany of business failures, convention room nights sold in the New Orleans area rose from 96,071 in 2009 to about 97,500 in 2010.

Social forces are typically illustrated by changing market demographics, such as population and household growth rates, the distribution of growth geographically, and changes in mix by age, racial and income characteristics. These patterns directly impact overall demand for goods and services of all types. Prior to Katrina population growth in the metropolitan area averaged less than 1.0% annually since 1990. As such, the market did not have a dynamic driving force that rapid population growth fuels. Suburban parishes such as St. Tammany and St. Charles experienced double-digit growth rates during the 1990's, primarily as a result of continued out-migration from Orleans and Jefferson Parishes. However, they are the exceptions among the eight parishes in the region, where growth rates during the 1990's were generally less than 5%. Orleans Parish experienced further population declines between 1990 and 2000, as the MSA's population rose from 1,285,270 to 1,337,726 (4.1%), one of the slowest growth rates among metropolitan areas in the Southwest. Through July 2005, modest economic growth resulted in a metropolitan area population gain of about 2,971 persons or 0.2%. Parishes losing population through the middle of 2005 included Orleans and St. James (down 5.4% and 1.8%, respectively). Even before Katrina, Orleans is estimated to have lost another 26,281 people through the middle of the decade. Jefferson Parish grew by an estimated 2,563 persons (0.6%) while Plaquemines and St. John the

Baptist added 2,675 and 1,546 persons, respectively. The largest gains by far, however, continued in St. Tammany Parish where the population for the first half of the decade grew by just under 12% or 22,365 persons. These population trends were radically altered by Hurricane Katrina, at least in the short run and the 2010 Census settled much of the debate as to where and how much growth actually unfolded in the region. This does not mean that population shifts will not continue, but that now there is a relatively accurate benchmark with which to measure these changes going forward. Those growth trends are discussed later.

Economic forces, particularly employment trends, drive growth in local markets. An expanding economic base fuels demand for development and thus broadens the range of land uses supportable within a local market. The structure of theNew Orleans area economic base fuels the diversity and sustainability of its growth and thus the marketability, utilization, and value of property located therein. The restructuring, downsizing and reengineering of the oil and gas industry greatly impacted real estate demand, particularly in the office market sector. Changes in this once dominant engine of the local economy were neither temporary nor cyclical and have been driven by global competition, industry-wide responses to a new environment focused on consolidation and more recently by tightening of the regulatory noose by the Administration and bureaucrats in Washington. As in many other industries (i.e. banking and finance) the avalanche of new governing regulations is squeezing smaller firms out of the market through more consolidation. This will no doubt trickle down to the local level although areas such as Lafayette and Houma/Thibodaux may feel the impact more immediately and abruptly. In New Orleans, the relocation of Shell's Offshore Division to Houston is putting about 50,000 square feet of space in One Shell Square onto the market. If others follow this pattern (and yes there is a "herd" mentality in the industry), other buildings in the downtown and suburban sectors could face similar fates. In a somewhat slow-growing economy like New Orleans, refilling this space could be particularly challenging.

Hurricane Katrina significantly altered the dynamic of the energy sector in the Gulf Coast region. The storm itself seriously damaged offshore exploration and production platforms and at one point reduced output by as much as 70%. This one event drove gasoline prices in the Northeast and West Coast to over $4.00 per gallon and brought home the strategic importance of the Gulf Region as the nation's major energy resource. Unfortunately, not everyone in Washington "got the memo" so to speak. The BP oil spill and the federal government's subsequent moratorium on deepwater drilling in the Gulf added yet additional elements of distress for this vital sector of the regional economy. The hastily imposed moratorium was being contested in federal court, but damage was already evident. Several moveable deepwater rigs were relocated to foreign locations and smaller less well capitalized service firms were forced to initiate layoffs and other cost cutting measures. Although the moratorium officially expired, new tighter regulations have had a continuing dampening effect on drilling activity. Permits, which foreshadow actual activity, stood at 183 in April of 2010 as compared to 107 for the same month in 2011, while the rig count has fallen from 213 in May 2010 to 170 one year later. The offshore activity is very often a bellweather indicator for much of the regional economy and the broader landscape of South Louisiana. At this point, the outlook for this and related sectors would be one of cautious hope for the short to intermediate future. Long term, resolution lies in the adoption of a sound, balanced national energy policy, particularly one that recognizes the strategic value and importance of the Gulf region.

Prior to Katrina a relatively slow transition of the New Orleans region to the "New Economy" was unfolding. This framework is driven by technological innovation and globalization. The area's slow move in this direction contributed to its comparatively slow growth rate since the 1990s. For many reasons, particularly a dismal public education system and vital absence of venture capital, the area has generally failed to generate new economic opportunities on a scale comparable to its sister regions in the Sunbelt. Prior to Katrina a technology base including facilities such as the UNO Research and Technology Park and the Biosciences Park in the Downtown Medical District began to emerge as a supporting infrastructure. However, "potential" is not reality and relatively little progress in technology-led economic growth could be identified. In fact, if new ventures actually matured and grew, they were very often lured away to competing cities which offered a better quality of life, better schools, a better prepared workforce and most importantly access to capital.

Katrina caused significant damage to much of the technology infrastructure at the UNO Research Park and to the Downtown Medical District. While most of the UNO facility is operational, the Medical District remains the focus of redevelopment efforts in the Downtown area and hasas its centerpiece a nearly $1.0 billion commitment a joint campus of the Veterans Administration and LSU Hospitals.This facility serves as an anchor to seed both public and private investment in the Greater New Orleans Biosciences Economic Development District as well as other economic catalysts such asthe recently completed New Orleans BioInnovation Center and the Louisiana Cancer Research Center. The former is a 65,000 square foot state of the art wetlab facility for incubating and commercializing biotechnologies, while the latter is a 135,000 square foot ten story facility that will be occupied by a wide range of cutting edge research interests focused on prevention and treatment of a wide variety of cancers.

The state's tax incentives to attract film, TV and video production have been well received by the industry. Since these incentives were created by the Legislature in 2001, approximately $2.5 billion in production expenditures have flowed through Louisiana. The state ranks third behind California and New York in the amount of film production expenditures and has consistently outpaced all other states in its rate of growth over the past several years. Statewide the industry directly supports an estimated 15,000 jobs and indirectly another 10,000 to 20,000 jobs. Several layers of production are typically involved in film production such as pre- and post-production work and on-site filming either on location or in one of the many sound stage facilities developed throughout the state. Recent feature film productions have included "Drive Angry 3D" (featuring Nicholas Cage) as well as 21 Jump Street, Alien Tornado and Logan's Trade. Facilities built to support this growing industry have been built in major cities throughout the state such as Baton Rouge, Shreveport and New Orleans. In the local area these investments include the NIMS Center and the UNO film production facilities in Elmwood as well as several renovated functionally obsolete warehouse buildings in the City to support production and equipment storage activities. Local agencies such as the Jefferson Economic Development Commission (JEDCO), St. Tammany Economic Development Foundation (STEDF) and GNO, Inc. have identified film and digital media production as a top priority business cluster and focus their efforts and resources on active recruitment and retention of firms in this economic sector. The attraction of digital media tax credits played a significant role in the relocation of Globalstar from its home base in Silicon Valley to St. Tammany Parish. This provider of mobile satellite and voice data services moved its headquarters from Milpitas, CA and will consolidate its Toronto based call center in Covington as well. Initially, this has brought about 150 to 160 new high paying jobs to St. Tammany Parish with the company's total locally based workforce approaching 500 to 600 within the next two to three years. These incentives were also instrumental in attracting EA Sports to Baton Rouge where it recently announced the construction of its new state of the art electronic games testing facility. This 94,000 square foot Digital Media Center represents an investment of $29.3 million that will ultimately house 600 video game development workers.

Market forces interact with factors such as technology, cultural norms, and the region's institutional framework. Changing technology impacts how goods and products are manufactured, processed, and delivered and thus influences the types and location of land uses that best accommodate these activities. Rapidly changing technology accelerates functional obsolescence in buildings and consequently affects decisions regarding their highest and best use. For some, this means adaptive reuse, while for others, the most feasible alternative is a return to vacant land. The extensive flooding and other damage caused by Hurricane Katrina accelerated the need to radically change or remove existing structures. In the short run this presented significant economic challenges for property owners some of whom were under insured or not insured at all. In the longer run these now vacant sites represent an opportunity for residential and non-residential development in some very strategic locations in the region. Prior to Katrina, the influence of changing technology and shifting market forces was best evidenced by the conversion of old warehouse buildings to residential apartments and condominiums and the adaptive reuse of functionally obsolete CBD office space as hotels. Post-Katrina, this process accelerated as more households seek locations in higher land elevation neighborhoods near the CBD, Uptown and elsewhere in traditional city footprint neighborhoods.This is particularly evident by the location of new multi-family rental communities downtown and in Mid-City where access to economic opportunities and entertainment venues is more convenient. These properties have been successful in attracting newly arrived young urban professionals as well as those employed in the tourism and hospitality service base. Relocation to the Northshore is likely to continue into the foreseeable future but a somewhat slower pace. The effects of higher fuel prices has not yet been too evident in these migration patterns, but consistently high commuting costs in an environment of slow income growth could have a dampening effect on many. Higher ground locations on both the Southshore and Northshore will remain strategically important for building resiliency in the community, particularly among businesses. This will keep upward pressure on land prices in general in these areas.

Technology continues to play a significant role in the ever changing energy sector as well as in the port and other transportation-related activities. Although the New Orleans area has generally lagged behind in new cargo-loading technologies (i.e., high-volume container shipping) and consequently lost business to competing Gulf and East Coast ports such as Houston, Tampa and Charleston, continued infrastructure improvements have enhanced the Port's competitive position. This has included the development of a new container handling facilities, including improvements to streets (the Clarence Harvey Truck Way) providing truck access to the riverfront, expansion of break-bulk handling facilities, expansion of marshalling yardsand the introduction of newer and larger cranes. In the last ten years, new facility investment at the Port have approached $1.0 billion.Among these improvements is the $500 million Napoleon Container Terminal, which is now a state of the art container handling facility that has increased the Port's container handling capacity by 366,000 units annually. The proposed next phase at this facility would add another 265,000 container capacity for the port. When all improvements are completed, the port would be able to handle just under one million containers annually. These improvements are impressive and set the Port on a course of becoming a fully functional and internationally competitive intermodal facility. The Port handles about 25 to 30 million tons of cargo annually consisting of commodities such as steel, rubber, coffee, forest products, copper and about 3.0 to 4.0 million tons of containerized freight. The Port is serviced by six class one railroads, 50 ocean carriers, 16 barge lines and 75 truck lines and is home to the world's longest wharf (2.01 miles) extending from Henry Clay Avenue to Milan Street. This one facility alone can handle 15 vessels simultaneously. The Port also made over $9 million in improvements to its cruise terminals at the Julia Street Wharf which now servicesfour passenger cruise lines which operate in the Western Caribbean and along the Mississippi River.

The closing of the Mississippi River Gulf Outlet (better known as the MR-GO) presents access challenges for the Port, particularly for medium draft vessels. However, as a means of improving flood protection, its closing reduces the risk of future storm surges that MR-GO ushered into St. Bernard Parish and eastern New Orleans as Katrina came ashore. The new floodgates are measures that local leaders in heavily impacted communities believe are crucial to continued recovery and repopulation.

The institutional framework can either restrain or facilitate growth. Governmental forces at all levels (local, state, and federal) have significant influence on development patterns in the New Orleans area. Local zoning and planning influence development, particularly it's timing and cost. In a multi-jurisdiction area, communities with fewer or less cumbersome land use regulations have historically attracted larger shares of growth. These same areas, particularly Jefferson Parish in the 1960's and 1970's and St. Tammany Parish in the 1980's and 1990's, also had abundant supplies of raw land. The inattention to planning, however, inevitably returns in the form of clogged transportation arteries, overburdened sewer and water systems, and an overall decline in quality of life. The lessons learned by these neighboring parishes are instructive, and some of them have formulated comprehensive plans to guide growth for the next 20 to 30 years. Of particular note are St. Tammany Parish's New Directions 2025 planning effort and Jefferson Parish's Envision 2020 as well as a number of efforts fueled by the Center for Planning Excellence involving parishes such as Tangipahoa, St. Charles, St. James, St. John, Ascension and Livingston. The City of New Orleans recently completed its new comprehensive plan and is in the process of adopting new zoning ordinances for enforcement.

Federal wetlands regulations also influence development patterns, particularly on the West Bank of Jefferson Parish, in St. Tammany Parish, and in the River Corridor parishes of St. Charles and St. John. On the West Bank of Jefferson, local officials obtained a Master "404" Permit to facilitate future development. Hurricane Katrina devastated much of the protective wetlands south of New Orleans as in a matter of four hours, the time it took for the storm's eye to pass the mouth of the Mississippi River, the equivalent of 30+ years of coastal erosion occurred. The challenge now is to accelerate the process of coastal restoration. This requires significant investment by the federal government and funds committed to date represent only a fraction of the resources needed to rebuild the South Louisiana coastline.The Louisiana Congressional delegation continues to pursue more resources to accomplish this formidable task, butthis has been made more challenging by the current economic climate, the U.S. debt crisis and the range of issues surrounding the BP oil spill and its aftermath. The spill impacts were significant in many of the Louisiana coastal marsh areas which are spawning grounds for a wide range of sea life and populated by very environmentally sensitive oyster beds and other plant and aquatic life. The long term ecologic damage to the region's coastal areas could approach the experience of the Alaskan coastline following the Exxon Valdez spill in the 1980's.Without significant coastal rebuilding, much of the region remains vulnerable to catastrophic storm surges.This persistent risk continues to influence the availability and cost of casualty and flood insurance, both of which are crucial to long term economic growth.

Another significant element of the institutional framework is the area's local banking community. The best evidence of its influence on real estate is the availability and cost of funds for development, construction, and acquisition. In the period immediately following Katrina, local banking institutions faced significant challenges not only in providing basic customer services, but also in facing the prospect of having severely impacted loan portfolios that were backed by uninsured or underinsured property. For the most part this did not materialize and most banks weathered this post-storm consequence very well. This was even true for institutions with relatively high concentrations of loans in severely impacted neighborhoods. Although delinquencies and foreclosures have risen over the past two years, these are more the result of a persistently weak economy and some very ill-informed new construction exuberance fueled by low rates and easy credit in the years immediately following the storm.

For the most part, lenders have been more than willing and able to fund the region's rebuilding process over the past six years. Although insurance remains a hurdle for many, the more immediate problem for many are deteriorating credit scores and values. Mortgage application rejection rates steadily rose at institutions throughout the region since early 2010 and have not necessarily improved as local lenders confront the new regulatory realities of Dodd-Frank. Lenders have generally responded by tightening credit standards and requiring more equity from borrowers. Even with these measures, many local lenders continue to see their regulatory examination ratings lowered, in some cases arbitrarily, and in a few instances placed under some form of regulatory supervision. To say this is less than encouraging to the flow of debt to finance acquisitions and new development is an understatement at best.

Financial institutions typically play a broad role in an area's economic development and growth. This is particularly important in financing new businesses, or for expansion or diversification of existing businesses. Historically conservative in this regard, financial institutions in the New Orleans area have become increasingly competitive in financing emerging small businesses. All of the area's largest banks and many mid-sized banks pursue small business loans, many of which involve SBA guarantees. Local banks also participate in numerous local and/or state-sponsored government programs designed to assist new start-ups and expand existing businesses, and many area banks, are certified or preferred SBA lenders. This kind of banking activity is essential to long-term, sustainable economic development. Seed, venture and mezzanine capital for early-stage and growing entrepreneurial enterprises are in somewhat limited supply. Several banks participate in SBICs (Small Business Investment Companies), which focus on providing such financial resources, usually to established firms with good growth potential. Also, several privately initiated, venture-capital funds, although comparatively small, have the potential for attracting greater investor interest and support for new and innovative targeted enterprises, such as in biosciences, film and video production and related digital technologies employed in a wide range of entertainment and video game offerings. These include entities such as Advantage Capital Partners, Enhanced Capital Partners and Stonehedge Capital Company.

Natural and man-made environmental features are other elements of the region's institutional framework. Natural features, such as the Mississippi and PearlRivers and the extensive network of canals and waterways, are assets upon which large segments of the regional economy depend. This is particularly true for petrochemicals processing, ship fabrication, foreign trade and a wide variety of waterborne commerce, including recreational and tourist cruises and seafood harvesting, production and processing. These same water bodies, however, also create barriers that other elements of the transportation network must overcome. These elements include fairly well developed federal and state highway systems, as well as an extensive network of bridges and other over-water and swamp crossings. They also represent a rather significant component of the area's drainage, flood and storm protection network. Levee construction currently underway is intended to repair storm-induced breaches, restore the integrity of the system to Pre-Katrina levels and provide a framework for more costly armoring improvements. The initial phase of re-construction is completedand more extensive improvementsare underway. These include raising the levee heights and closing gaps in the system caused by the design and construction of existing transportation infrastructure and construction of a network of reinforced floodwalls and other concrete and steel storm surge barriers. Pumping stations are being further fortified to ensure their operation even under the most severe of storm conditions and capacity has been increased to facilitate more rapid removal of rain and flood waters.

Topography and soil conditions are vital environmental elements of the region's physical framework. They influence development, growth and land use patterns. Although generally flat, much of the region's geography is dominated by unstable soil, necessitating additional foundation costs for new construction or outright avoidance of some areas. These conditions are less prevalent in St. Tammany, Washington and other Northshore Parishes, where subsoil conditions are more stable and favorable to new construction without special or costly pilings and foundation treatments. Due to new base flood elevation maps published by FEMA, many rebuilt homes on the Southshore are being raised four to eight feet above their previous foundation height. This process is being subsidized up to $160,000 per home with FEMA and CDBG funds channeled through the Louisiana Office of Community Development. These funds are being used to raise both slab and chainwall built homes in neighborhoods throughout the region but particularly in Orleans and St. Bernard Parishes.

LOCATION AND DEVELOPMENT PATTERNS

Where cities are established and how they grow can be related directly to their base of natural resources and a mix of location and environmental attributes. In economic terms, this defines an area's comparative advantage. Post-Katrina location attributes, particularly the below sea level elevation of much of the urban area, has stirred some debate about where and how much of the city should be rebuilt.It has also raised serious concerns regarding the ability to attract and retain businesses that cannot financially tolerate the risk and reality of significant or prolonged periods of business interruption. The vulnerability to flooding and storm surge also contributes to higher operating costs (i.e. insurance) and capital costs (i.e. backup power sources, off-site records security, etc.). The former is generally a settled issue: there are no areas within the region destroyed or seriously damaged that will not be given the opportunity to be rebuilt. Making determinations to abandon areas for future redevelopment are difficult and proved to be politically and socially divisive. Increased flood protection has helped mitigate the second major concern but certainly not eliminated it. Future disruptions are an ever-present threat that must be considered in location decisions requiring significant investment in non-moveable plant and equipment.

The New Orleans region developed around a core city originally sited as a strategic military location to defend against waterborne hostile invasions using the Mississippi River. The garrison established for this purpose once occupied a location very near Jackson Square. This site is now a major historic attraction frequented by tourists and conventioneers. Being located approximately 90 miles from the Gulf of Mexico, the city served well as a defensive location. However, it emerged as an important deep-water port, handling exports of cotton, lumber, sugar, and other farm products produced throughout the MississippiValley. As previously discussed, waterborne commerce still plays a major role in the local economy, as does the petrochemical refining industry that developed along this major transportation asset and the emerging cruise ship industry.

The eight-parish metropolitan region comprises approximately 7,356 square miles consisting of 3,400 square miles of developable land area and 3,956 square miles of either water or low-lying marshland unsuitable for development. Much of this marshland is essential to the region's seafood production, is used extensively for recreational purposes such as hunting, trapping and fishing, and is the first line of defense against hurricane storm surges. The region has an abundance of natural resources, including fertile soils and a mild climate that are vital to its agricultural interests. The region has a rich supply of raw materials. These help Louisiana maintain high rankings in the production and export (both domestic and foreign) of natural gas, petroleum, and a wide range of petroleum-based products such as plastics and fertilizers. Sulfur, salt, and fur pelts also contribute significantly to Louisiana's exports. High-silica sands, lime, clays, timber, seafood, and other agricultural products are also abundant in the region and form the core of the state's major foreign exports to places like South and Central America as well as Europe. In addition to the significant damage the storm inflicted on the coastal marshlands, severe tornado activity during Katrina's passage left widespread damage to much of the timber industry, particularlyin Northern St. Tammany and Washington Parishes. By some estimates, the storm destroyed the equivalent of over 100 years of pine production and about 40 years of hardwood growth. Many of these areas have been replanted with pines and other fast growing species.

Alluvial ridges formed by flooding of the Mississippi River attracted most of the area's initial development. These ridges are typically at the highest natural elevations and have the most stable soils. They are generally referred to as the city's traditional footprint which supported most of the area's population until the late 1800's. It is this footprint that has received much of the attention in the discussion of redevelopment strategies and spawned debate (sometimes heated) by those who lived outside of this footprint before Katrina. The first area settled is the now-historic Vieux Carre' (French Quarter). From there, development extended upriver resulting in neighborhoods known as the Central Business District, the Garden District, the Warehouse District, the University/Uptown District and Carrollton. All of these areas were spared significant flooding and comprise the neighborhoods where most of the city's estimated immediate post-storm population lived. Algiers Point, on the southern (west) bank of the River, was also among the first areas developed in the region because of its higher elevation. As the city's population grew, development pushed northward from the river toward Lake Pontchartrain. An extensive canal and drainage system was created to reclaim low-lying marsh areas. For most of its history, the city's canals (many of which are now covered), defined growth boundaries for different periods of time. Northward development produced neighborhoods such as Mid-City, City Park, Gentilly, and Lakeview, followed by Lake Vista, Lakeshore, and Lake Terrace. Although, these neighborhoods sustained flood damage, most of them are desirable residential neighborhoods with good locationlinkages that have attracted significant investment for rebuilding and redevelopment.Construction of massive pumping stations and flood control structures at the mouth of the outfall canals has provided a sense of security for those repopulating and reinvesting in these neighborhoods.

Throughout most of its history, land for development in the New Orleans area has been in relatively limited supply due to the costly and time-consuming reclamation process. Consequently, competition for existing land, particularly during periods of strong economic growth, placed inordinate upward pressure on land prices. For single-family homes, this trend resulted in smaller lots, higher development densities, and housing designs that reflected limitations on space for building. Prior to Katrina the demand for building sites fueled "tear-down" activity prevalent in many older, non-historically designated neighborhoods such as Lake Vista and Lakeview in Orleans Parish and the Old Metairie and Bucktown/Bonnabel areas in Jefferson Parish. Heavily damaged and functionally obsolete structures in neighborhoods such as Lakeview, Lake Vista and Lakeshore continue to be demolished creating a steady supply of vacant lots for new home construction.

Like other regions in the United States, suburban growth in the New Orleans area was fueled by development of new transportation arteries in the post-WWII era. Simultaneously, an abundance of low-cost VA and FHA new home financing was available and drove demand for residential subdivision developments pushing westward (upriver) into Jefferson Parish. Growth during the 1940's and 1950's paralleled the Mississippi River along the alluvial corridors defined by Jefferson Highway and Airline Drive. During the 1960's and 1970's, Jefferson's rapid growth north of Airline Drive was ignited by construction of Veterans Boulevard and I 10. Construction of levees, canals and more pumping capacity opened new areas of land suitable for development. Some of these areas sustained moderate flood damage during Katrina primarily due to a failure to deploy pumping capacity in a timely manner. This risk of reoccurrence has been mitigated by installation of new automatic systems along with elevating and fortifying of the levee system.

Suburban development in Orleans Parish pushed east of the IndustrialCanal during the 1970's and 1980's. Earlier development patterns (1950's to 1960's) extended along the US Highway 90 (Chef Menteur Highway) corridor. More recent growth followed the I-10 east corridor, which links downtown New Orleans to Slidell (St. Tammany Parish) and the MississippiGulfCoast. Eastern New Orleans has a relatively large quantity of vacant developable land. Most of it is readily accessible to the I-10 system and downtown New Orleans. Unfortunately this entire area was inundated by Katrina's storm surge and breaches in the IndustrialCanal. Virtually all of the apartment complexes in the area received significant flood damage as did most other structures. Although Eastern New Orleans continues to rebuild, it is estimated that about 70% of the area's pre-storm population had returned through the end of 2010. Business and commercial rebuilding have been very slow as has the reintroduction of local community services such as schools and healthcare. Recent announcements regarding the reopening of Methodist Hospital will be strategically important to restoring the fabric and structure of neighborhoods in eastern New Orleans.

Approximately 18,000 acres once slated for development in eastern New Orleans were removed from commerce and dedicated as Bayou Sauvage National Wildlife Refuge. This amenity is the country's largest urban wildlife refuge, attracting visitors and serving as a valuable research and educational resource for the region. The land area remaining for development is quite adequate to support growth in this sector of the metropolitan area into the foreseeable future. However, sustainable redevelopment in this area is ultimately linked to improved flood protection, particularly the closing of MRGO, elevated levees and aggressive coastal restoration efforts.

Suburban growth north of Lake Pontchartrain in St. Tammany Parish was fueled by the completion of I-10 to Slidell and the CausewayBridge to Mandeville. These two transportation arteries opened vast areas of relatively high, dry land for development. St. Tammany's rate of growth has varied widely over the past 40 years, primarily due to the barrier of commuting times to CBD employment locations. However, as employers moved to suburban locations in East New Orleans and Metairie (Jefferson Parish), commuting distances and times to Northshore communities were reduced. Since Katrina, St. Tammany Parish's growth accelerated significantly as the influx of evacuees from Orleans and St. Bernard Parishes alone added an estimated 25,000 to 30,000 permanent residents. Construction of new homes and commercial retail and office buildings reached nearnew record levels in 2006 and 2007.This growth pace, however, has slowed significantly as evidenced by a drop in residential building permits throughout the region. Single family construction fell from 5,100 units in 2006 to 2,803 units in 2008 and then to 2,231 units in 2009. Through the end of 2010 permits continued to drop reaching 1,911 units. In St. Tammany Parish, which has typically accounted for one-half to two-thirds of the region's single family production, the volume of permits issued fell from a post-Katrina peak of 2,659 units in 2006 to just 592 units in 2009 and to 576 units for 2010.

Rapid growth of St. Tammany Parish fueled westward expansion along the I-12 corridor into Tangipahoa Parish. This area was not significantly impacted by Katrina and has attracted many individuals seeking more affordable homes than can be found in St. Tammany Parish. Tangipahoa Parish has also attracted businesses that relocated temporarily from New Orleans. Some of these firms have established permanent satellite offices in Hammond or

Pontchatoula much like others have done in Baton Rouge and in the Covington and Mandeville communities of St. Tammany. Tangipahoa Parish has been particularly effective in attracting warehousing and distribution facilities that require inexpensive land and good access to the Interstate highway system.

Upriver suburbanization into St. Charles, St. John, and St. James Parishes has been driven by four factors: the availability of comparatively low-cost developable land, completion of the I-10 system between New Orleans and Baton Rouge, expansion of the petrochemical industry, and a rapidly shrinking supply of land in East Jefferson available for residential development. Construction of additional river crossings approximately 20 to 25 miles apart along this corridor, together with related highway improvements, has facilitated this area's residential and commercial development. Although growth has slowed over the past two years, the River Corridor should continue attracting its fair share of the region's future residential development.

AMENITIES AND ATTRACTIONS

There is no shortage of amenities and attractions in the New Orleans metropolitan area to enhance the quality of life and help attract visitors. These include a wide range of educational opportunities, numerous points of historical interest, a rich variety of cultural attractions, and what sometimes seems like an unlimited number of entertainment and dining options. Eleven colleges or universities are located in the metropolitan area. These institutions provide a wide range of undergraduate and graduate degree programs, as well as numerous non-credit continuing and professional education offerings and cultural and sporting events. Educational programs are offered on the main campuses of these institutions, as well as at satellite locations throughout the region, through televised distance learning and over the Internet. Additionally, there are six campuses of the newly created state technical college system in the region. Each of these institutions sustained damage during Katrina but are now fully operationally. Most state supported institutions continue to face significant budget challenges as a result of tightened fiscal conditions over the past several years. Mid-year budget cuts have become the norm for most public institutions as has the raising of fees and tuitions in an effort to balance budgets. Private institutions such as Tulane, Loyola and Xavier universities have all experienced rather robust growth since Katrina due in large part to their attraction of students interested in helping the City's on-going rebuilding efforts.

The Ochsner Medical Center in Jefferson Parish is known throughout the world as a leader in health care, with specialists who regularly draw patients from South and Central America. Tulane and LSU Health Sciences Centers anchor the Downtown Medical District and are involved in leading-edge research and training of medical professionals and operatemajor hospital facilities downtown. Since Katrina, Tulane reopened and expanded its downtown medical facility, while theLSU Health Sciences Center re-established itself downtown at University Hospital. "Big Charity" remains shuttered and the debate about its reopening continues. As currently envisioned itwill be replaced with a new 350 to 425 bed teaching hospital that is part of the collaboration between the Veterans Administration and LSU Health Science Center. Funding of about $1.0 billion has been authorized for the joint facility, including resources from FEMA , direct Congressional appropriations and the State.

Cultural attractions are numerous and include the Louisiana Philharmonic Orchestra, the New Orleans Museum of Art, various theater and musical performance venues, numerous art galleries and several historical and specialty museums. The area also offers multiple venues for those whose musical taste range from jazz, Dixieland, rhythm and blues, rock, rap, zydeco and just about anything else. Other significant cultural attractions in the region include the National World War II Museum and the Ogden Museum of Southern Art in the downtown area as well as a number of historic plantations along the River Road such as Ormond and Destrehan in St. Charles Parish and Oak Alley, Laura and St. Joe in St. James Parish. In 2009, the National World War II Museum launched the first phase of a planned $300 million expansion that will quadruple the size of the existing facility by 2015. This expansion will add state-of-the-art programs and exhibit space, libraries, archives and space for new collections. Relatively recent additions to the museum facility have included the Solomon Victory Theater, the Stage Door Canteen entertainment venue, the American Sector Restaurant and the John E. Kushner Restoration Pavilion.

The area also offers a wide range of family-oriented activities and places for children, including the Audubon Zoo, ranked as one of the top zoos in the United States; the Aquarium of the Americas; the Children's Museum; City Park,Woldenburg Riverfront Parkand the Audubon Insectarium.Although many suffered significant and costly storm damage, they are all now fully operational and offering a full range of special events to attract and entertain visitors, particularly business and convention travelers targeted for extended stays. Each has also enjoyed some level of expansion and improvement over the past three to five years with continued investments planned.

The riverfront corridor is a focal point of recreation and entertainment activities for residents and visitors alike. It is adjacent to and generally within walking distance (or short trolley ride) of the French Quarter and the growing residential population in the downtown and Warehouse District neighborhoods. Several plans have been presented to further expand Riverfront access and development,including two new cruise ship terminals, a Mississippi River Maritime Museum and Research Center and a variety of linear and pocket parks. A master plan (*Reinventing the Crescent*) for the riverfront illustrates the extent of the redevelopment and significant investment anticipated for this part of the City incorporating maritime and building assets at the location of the soon to be decommissioned Naval Support Activity facility downriver from the French Quarter. This facility is slated for a range of potential future uses, including but not limited to, additional cruise ship accommodations. Cruise travel from New Orleans has fully recovered from the effects of Katrina, as an estimated 800,000 passengers embarked from New Orleans terming during 2010. Several cruise lines currently operated from New Orleans including Carnival, Norwegian and Royal Caribbean.

Expansion and diversification of the area's many adult-oriented entertainment and recreation activities received a substantial boost from legalized casino gaming. Harrah's operates a 100,000 square foot land-based casino at the foot of Canal Street along with its adjacent 450 room luxury hotel, as well as an assortment of on-site eating, drinking and entertainment offerings. These facilities are included on the casino's 100,000 square foot second floor. Net win at Harrah's rose for the fiscal year ending June 30, 2011 from $346 million in 2010 to $350.9 million or by 1.2%. Over the same period net win at the regions two riverboat casinos

(Boomtown and Treasure Chest) rose 5.1% from a combined $240.3 million in 2010 to $252.9 million in 2011.

Expansion in the downtown lodging industry continues to be driven by facilities such as the Ernest N. Morial Convention Center. This facility now has a total of 1.15 million square feet of exhibition and meeting space, ranking it among the ten largest in the United States. Further expansion of this facility is not likely in the foreseeable future although other additions to meeting and convention space such as the improvements progressing at the Hyatt Regency Hotel is scheduled to add about 200,000 square feet of meeting and convention space along with 1,170 fully refurbished and updated hotel rooms and suites.

Prior to Katrina, average monthly hotel occupancy rates in New Orleansaveraged 73.0% for the year 2005. In the Post-Katrina months of 2005, hotel occupancy averaged 64.8% with an average of 22,451 rooms available. During 2007, occupancy averaged 63% with an average monthly availability of 32,957 rooms, while in 2008 average occupancy rose to 68.0 % with 33,641 rooms available.In 2009 average monthly room availability rose to 35,023 and average occupancy slipped to 62%. In 2010, the number of total visitors to New Orleans increased to 8.3 million (up 11.0% from 2009's estimated 7.5 million). These visitors drove total spending (not including gaming) to an estimated $5.3 billion and helped push hotel occupancy up to an annual average of 65%.

Louis Armstrong International Airport is also a vital component of the region's tourism and convention business. Runway and terminal improvements continue to unfold including expansions and upgrades to on-site parking garages and some concourse facilities. The airport ranked 40th in total enplanements among major U.S. facilities in 2010, with about 4.1 million passengers serviced.

POPULATION GROWTH TRENDS

With the release of the 2010 U.S. Census, much of the post-Katrina debate and angst regarding population counts has been put to rest. Although not every jurisdiction is entirely happy about the Census Bureau's results, they are what they are and can be challenged if that seems like a plausible option. However, given the resources and extensive preparation by the Bureau for the 2010 effort, the release of preliminary headcounts provides the most accurate and reliable measure of population for the region and each of its constituent parishes. The numbers released may very well be revised in the coming months, but not to an extent to change the basic unfolding demographic story for the New Orleans area. The continuing releases of more detailed age, race, income and housing data will only serve to flesh out the skeletal demographic profile currently available.

As of the April 2010 census count, the New Orleans region's total population stood at 1,189,866 or about 11.1% less than its level in 2000. As expected, the largest share (95%) of the net loss of 147,860 people occurred in Orleans Parish which was obviously most severely impacted by Hurricane Katrina. However, the population losses in the City cannot be exclusively blamed on the storm since it has experienced a steady stream of uninterrupted losses for the past four decades. Just prior to the storm, for instance, the estimated July 2005 population of the City was 453,726 or about 31,000 less than in 2000. Although the City

(Orleans Parish) is making significant strides in recovering its displaced population and attracting new residents, it is a smaller community and may be so for the foreseeable future. Its 2010 population is about 71% of its 2000 level and 58% of the count recorded for the 1970 Census.

Similarly in St. Bernard Parish, where storm damage and flooding was extensive, the road to population recovery will be long and challenging. In 2010, the Parish's total population stood at 35,897 or about 46.6% less than its count in 2000. Like Orleans, this parish had lost population (about a 3.8% drop) in the five years leading up to the storm. However, the hurricane and its aftermath were so devastating to this community that it lost just under 80% of its population between 2005 and 2006 bringing the estimated count to 13,875 people. The majority of these were residents who returned as soon as possible to begin the rebuilding process living in FEMA trailers and other temporary/makeshift accommodations. As of 2010, St. Bernard Parish is at just over 55.5% of its pre-storm population estimate and 53.3% of where it stood as the previous census in 2000.

In Jefferson Parish, the slowing growth of the 1990's transformed into net population losses of 22,914 people (5.0%) over the 2000 to 2010 period. The only other recent decade where Jefferson registered population losses was the 1980's. However, these losses (6,286 people) were heralded by what is generally referred to as the oil and gas industry "crash" of the 1980's. This was a period of severe job losses for the entire region causing significant population out-migration from about 1983 to 1988. Thereafter, as the economy regained traction, population out-migration slowed and net growth in Jefferson Parish resumed in the 1990's with the addition of 7,160 people (up 1.6%). Jefferson's population losses from 2000 to 2010 can be attributed to several factors including slow to no job growth, population migration to the Northshore and faltering quality of life which can be linked to poor community planning, traffic congestion, an aging housing stock (particularly multi-family rentals with deferred maintenance) and a poorly performing public school system struggling with limited financial resources. In other words, Jefferson Parish is feeling the urban maturation effects that are common throughout the U.S. among now older suburban areas. All of these conditions can be addressed and remediated to stem Jefferson's population declines. However, to do so most effectively, the parish will need to strategically focus on attracting and retaining young households.

The only other parish to register net population losses for the decade was Plaquemines as the number of people living there fell by just under 14% between 2000 and 2010. A significant share of this loss occurred immediately following Katrina when about one-fourth of the parish's population declined between 2005 and 2006. Since then, the parish's recovery, particularly in its Northern half, has generated a rather steady pace of population growth. However, as of 2010 the Plaquemines Parish population stands at about 86% of where it was in 2000.

The population growth "sweepstakes" winner for the 2000 to 2010 decade was St. Tammany Parish where the number of people grew by 22.2% reaching 233,740. This continued the double-digit growth rates which started in the 1970's (up 74.4%) and extended through the 1980's and 1990's at 30.3% and 32.4%, respectively. Although Katrina pushed many families Northshore, particularly from St. Bernard and Orleans Parishes, St. Tammany had already grown by an estimated 13.7% between 2000 and 2005. If anything, the 2010 Census reveals one of two things: either the estimated first half decade growth rate of 2.7% per year was too high or that the average growth rate actually slowed after Katrina to produce a decade long rate of about 2.2% annually. The former probably describes reality a little better with the immediate short term post-storm push creating some exaggerations. This helps to explain some of the over-exuberant home building binge which has left the St. Tammany housing market saddled with significant supplies of unsold housing, particularly when priced $400,000 to $500,000 or higher. Whether St. Tammany Parish returns to the average 3% growth rates of previous decades remains to be seen. The parish is rapidly emerging as its own nucleus of economic activity with the relocation of major firms such as Chevron, LLOG and LOOP as well as the once Silicon Valley located Globalstar. As the parish further diversifies its economic base, it will provide a wide range of job opportunities that will fuel continued population in-migration and growth.

In the River Corridor portion of the New Orleans region, the biggest population gains for the 2000 to 2010 period were St. Charles Parish (up 9.8% or 4,708 people) and St. John the Baptist (up 2,880 people or 6.7%). St. James Parish trailed far behind with the addition of 886 people or a gain of 4.2% over 2000. Although St. Charles and St. John Parishes were destinations for some storm displaced households, they each have steadily grown for the past 20 to 30 years. They have consistently attracted households migrating upriver from Jefferson Parish as well as families with individuals employed in some aspect of the petrochemical processing and manufacturing industry. St. Charles Parish has historically been attractive to relocating households with children because of its highly ranked public education system. These parishes will continue to provide an alternative to St. Tammany Parish (which also has a superior public school system) for those resistant to commuting across Lake Pontchartrain.

Summary of Population Growth by Parish
New Orleans Metropolitan Region
Census: 1970, 1980, 1990, 2000, 2010
Population Estimates: 2005 and 2006

AREA	Year							Change							% Change						
	1970 Census	1980 Census	1990 Census	2000 Census	2005 (July est.)	2006 (July est.)	2010 Census	1970 - 1980	1980 - 1990	1990 - 2000	2000 - 2005	2005 - 2006	2005-2010	2000-2010	1970 - 1980	1980 - 1990	1990 - 2000	2000 - 2005	2005 - 2006	2005-2010	2000-2010
Jefferson	338,229	454,592	448,306	455,466	449,640	420,891	432,552	116,363	-6,286	7,160	-5,826	-28,749	-17,088	-22,914	34.4	-1.4	1.6	-1.3	-6.4	-3.8	-5.0
Orleans	593,471	557,515	496,938	484,674	453,726	210,198	343,829	-35,956	-60,577	-12,264	-30,948	-243,528	-109,897	-140,845	-6.1	-10.9	-2.5	-6.4	-53.7	-24.2	-29.1
Plaquemines	25,225	26,049	25,575	26,757	28,588	21,625	23,042	824	-474	1,182	1,831	-6,963	-5,546	-3,715	3.3	-1.8	4.6	6.8	-24.4	-19.4	-13.9
St. Bernard	51,185	64,097	66,631	67,229	64,683	13,875	35,897	12,912	2,534	598	-2,546	-50,808	-28,786	-31,332	25.2	4.0	0.9	-3.8	-78.5	-44.5	-46.6
St. Charles	29,550	37,259	42,437	48,072	50,164	51,969	52,780	7,709	5,178	5,635	2,092	1,805	2,616	4,708	26.1	13.9	13.3	4.4	3.6	5.2	9.8
St. James	19,733	21,495	20,879	21,216	20,982	21,459	22,102	1,762	-616	337	-234	477	1,120	886	8.9	-2.9	1.6	-1.1	2.3	5.3	4.2
St. John	23,813	31,924	39,996	43,044	45,602	47,693	45,924	8,111	8,072	3,048	2,558	2,091	322	2,880	34.1	25.3	7.6	5.9	4.6	0.7	6.7
St. Tammany	63,582	110,869	144,508	191,268	217,551	224,227	233,740	47,287	33,639	46,760	26,283	6,676	16,189	42,472	74.4	30.3	32.4	13.7	3.1	7.4	22.2
New Orleans MSA*	**1,144,788**	**1,303,800**	**1,285,270**	**1,337,726**	**1,330,936**	**1,011,937**	**1,189,866**	**159,012**	**-18,530**	**52,456**	**-6,790**	**-318,999**	**-141,070**	**-147,860**	**13.9**	**-1.4**	**4.1**	**-0.5**	**-24.0**	**-10.6**	**-11.1**
Livingston	36,511	58,806	70,526	91,808	107,480	113,275	128,026	22,295	11,720	21,282	15,672	5,795	20,546	36,218	61.1	19.9	30.2	17.1	5.4	19.1	39.4
St. Helena	9,937	9,827	9,874	10,870	10,620	10,700	11,203	-110	47	996	-250	80	583	333	-1.1	0.5	10.1	-2.3	0.8	5.5	3.1
St. Tammany	63,582	110,869	144,508	191,268	217,551	224,227	233,740	47,287	33,639	46,760	26,283	6,676	16,189	42,472	74.4	30.3	32.4	13.7	3.1	7.4	22.2
Tangipahoa	66,875	80,698	85,709	100,588	106,253	113,144	121,097	14,823	5,011	14,879	5,665	6,891	14,844	20,509	22.5	6.2	17.4	5.6	6.5	14.0	20.4
Washington	41,987	44,207	43,185	43,926	43,951	44,061	47,168	2,220	-1,022	741	25	110	3,217	3,242	5.3	-2.3	1.7	0.1	0.3	7.3	7.4
Northshore	**217,892**	**304,407**	**353,802**	**438,460**	**485,855**	**505,407**	**541,234**	**86,515**	**49,395**	**84,658**	**47,395**	**19,552**	**55,379**	**102,774**	**39.7**	**16.2**	**23.9**	**10.8**	**4.0**	**11.4**	**23.4**
State	**3,644,637**	**4,206,098**	**4,219,973**	**4,468,976**	**4,495,670**	**4,243,288**	**4,533,372**	**561,461**	**13,875**	**249,003**	**26,694**	**-252,382**	**37,702**	**64,396**	**15.4**	**0.3**	**5.9**	**0.6**	**-5.6**	**0.8**	**1.4**

*The New Orleans Metropolitan Statistical Area (MSA) was expanded in 1990 to include St. James Parish. St. James Parish subsequently removed in 2000. The population for New Orleans MSA for 1970, 1980, 2000, 2010 as well as the population estimate in 2005 and 2005 was adjusted to include St. James.

Source: United States Department of Commerce, Bureau of Census, 1970, 1980, 1990, 2000, and 2010. Population estimates from 2005 and 2006 are from the Research Division, of the College of Administration and Business, Louisiana Tech University.

EMPLOYMENT TRENDS AND OUTLOOK

The National/Global Recovery

The much anticipated and sorely needed economic recovery at the national and global levels appears to be staggering under the weight of oppressive debt, overhanging excesses from the real estate and housing binge, stubbornly high unemployment levels and faltering consumer confidence. These conditions are being addressed by central bankers who seem hell-bent on printing money to keep stoking the flickering flames of economic life signs or experimenting with short term fiscal rescue plans which are more experimental than experiential and that, for the most part, postpone the inevitable day of reckoning for elected officials who seem more intent on self-preservation than on fixing the problem. Although GDP has grown for the last few quarters and the U.S. has "officially," according to the "all-knowing experts" at the NBER (National Bureau of Economic Research), emerged two years ago from the Great Recession, there is a significant weight of angst and uncertainty that something is not just right. GDP growth has slowed significantly since the start of 2011 and is expected to average between 1.5% and 1.7% for the year's remaining two quarters. This is not sufficient to fuel significant job growth and has stalled unemployment at a very uncomfortably high at 9.2%. This is even higher when adjusted for those underemployed or who have become discouraged and dropped out of the labor force. When adjusted for these labor force components some estimates place the real unemployment rate in the range of 14% to 16% with minorities and the poorly educated above these rates. Add to this totally unnecessary government interventions restricting oil and gas production which has now driven gasoline prices to the $3.50 to $4.00 per gallon range and the ever present risk of losing one's home to foreclosure and the question of consumer confidence needed to fuel surges in consumption becomes very easy to answer. The Conference Board reported that its confidence index rose to 59.5 in July (up from 57.6 in June) but that consumers' assessment of current business and employment conditions were less favorable than before as concerns about the labor market continue to be a major concern. As the Board reported in its July release, "Overall, consumers remain apprehensive about the future…"

For many, including small businesses and entrepreneurs who face ever rising costs and uncertainty, particularly with regard to healthcare reform, regulation and rising tax burdens at all levels, the light at the end of the tunnel very well represents a potential "train wreck." Consumers are reluctant to commit to significant purchases when faced with the burden of higher living costs, the threat of job loss and the continued evaporation of equity in their homes. Home prices have once again turned down and the number of households with "underwater" mortgages continues to grow. With housing prices now at about their 2002 level, U.S. consumers have an estimated $751 billion in negative equity in their homes. This is a condition describing just over 23% of all residential properties with mortgages in the U.S. Home sales prices are being further battered by the large number of houses being sold at deep discounts through foreclosures. On average, foreclosure sales prices represent a 27% discount nationwide with about ten states reporting prices at more than 35% below average prices for non-distressed home sales. This includes states such as Ohio and Illinois where discounts average 41% as well as Kentucky and Maryland (at 39%) and Tennessee at 38%. With foreclosure sales representing 26% to 28% of all transactions in the first quarter of

2011, the downward pressure on prices and disappearing home equity are not likely to lessen anytime soon.

Businesses are reluctant to grow and add new jobs when the cost of doing so is "foggy." And bankers are more reluctant to lend when faced with runaway regulatory reform to fix a problem the vast majority of them had absolutely nothing to do with creating. The last thing they want is to be added to the FDIC's "Problem List" of about 900 troubled institutions. In short, it would not take much to push the U.S. economy back into recession and the FED seems fixated on this possibility as it burns through cash in OE2 and considers the possibility of firing up the printing presses even more with QE3. Since many of the indicators point to a tepid and weak recovery by historic standards, the FED is increasingly faced with an ever-shortening list of options. With rates holding at bargain basement lows, pushing them down even more runs the risk of creating deflationary conditions in the short run followed at some point by significant inflationary pressure. In whatever it does, the FED, the U.S. Treasury, the Administration and Congress are all collectively walking a tightrope in their efforts to spur GDP, reduce unemployment, return stability to the housing market and encourage more consumer spending. All of these are lagging well behind where they should be after two years of recovery and will need to show signs of vitality before the U.S. economy stops sputtering and begins moving ahead. The longer it sputters the more likely the economy slips back into recession. And, while the country may have dodged (for the moment) the debt default "crisis," the agreement reached is clear on four points: 1) the debt problem is not solved; 2) U.S. sovereign debt credit ratings remain hanging in the balance; 3) costs and expenditures are not being cut in any significant way in the short term, and 4) taxes are going up for businesses and individuals alike. The last reality is among the least preferred when trying to encourage businesses to expand and create new jobs. Increased taxes will do just the opposite and no amount of additional "stimulus" funding to create or save "make-work" or phantom jobs is likely to change that.

The possibility of a return to a recessionary mode is not a good one for the New Orleans region. Although it has managed to dodge the worst effects of the Great Recession, this was due largely to the area's singular focus for the past five years, namely the rebuilding of communities pounded by Hurricane Katrina and her devastating storm surge and flooding. While the rest of the U.S. has struggled with capital crises and housing and real estate overbuilding, the local area has been busily rebuilding and replacing all types of residential, commercial, industrial and institutional space and fixing its very damaged and previously neglected public infrastructure, particularly its massive flood protection system. Much, if not most, of this work has been funded with $30 to $40 billion of public (federal) investment through a series of financing vehicles put in place by Congress under the heading of GO Zone legislation as well as by agencies such as FEMA, U.S. Army Corps of Engineers, HUD and from insurance proceeds. While many other areas throughout the country have struggled to attract capital, the New Orleans region and South Louisiana in general have been awash with financial resources to fuel rebuilding and sustain job gains in many sectors, particularly construction and related businesses. This does not mean that Louisiana and the New Orleans region have not felt some impacts from the global/national recession, just that its full effects were somewhat blunted. Additionally, the region faces continued uncertainty regarding the long term effects of its latest disaster (i.e. the April 2010 BP Macondo well explosion and oil spill), particularly on seafood production and processing as well as on restaurants and other components of the area's tourism and convention business. A return to recessionary conditions globally would not be good for world trade and thus for the Port of New Orleans and everything connected to it. Of course, in the short term, a devalued dollar makes our exports more attractive to foreign buyers as it does bargain hunting visitors/tourists from Asia and Europe. Unfortunately, the devalued dollar also makes commodities more expensive domestically, particularly food and oil related products. At some point, such currency imbalances create pricing structures that further shrink profit margins for many businesses or force them to raise prices beyond which consumers are willing to spend.

The statewide unemployment rate dropped from 8.3% in March 2010 to 8.1% for the same month in 2011, while at the same time the U.S. unemployment rate edged down from 9.6% to 9.3% over the same period. Slightly improved economic conditions spread to most urban areas throughout the state with unemployment rates falling in all eight of Louisiana's metropolitan labor market areas. The highest unemployment rate was reported by Monroe at 8.4% (down from 8.8% in June 2010), followed by 8.4% in Baton Rouge,8.0% in New Orleans,7.8% reported for the Alexandria and 6.9% and 7.2% for the Lake Charles and Shreveport regions, respectively.

In non-urban or rural parishes outside of the state's metropolitan areas, unemployment rates are typically higher and tend to be more volatile due to the inordinate influence of a limited number of businesses or industries whose condition so directly impacts to the strength or weakness of a local economy. Unemployment rates rose in 17 of these 35 parishes between January 2010 and 2011, while in 15 unemployment rates edged down and in the other three they remained unchanged from one year ago. Cutbacks in offshore activities, due in part to the BP spill kept the unemployment rate in St. Mary Parish (Morgan City) at 9.9% (down slightly from last year's 10.1%), while in the proverbial economic basket case that is West Carroll Parish unemployment rose from an alreadydepressingly high of 17.0% to 17.1%. As of June 2011, there were 17 non-urban parishes with unemployment rates of 10% or higher and three with unemployment exceeding 15% of the labor force.

Although it might provide some consolation that the state unemployment rate remained below the national average, the financial pain for individuals and families and the economic disruption for local communities are no less troubling. As of June2011, there were an estimated 167,517 people statewide on the rolls of the unemployed, down by 0.5% from June 2010. Although relatively good, forecasts that envision a national jobless recovery of sorts where national unemployment rates remain at or near 8% for the next two to three years cast a troubling shadow on the future. It is worth noting in this regard that the magnitude of job losses through this recession, in percentage terms, has been substantially higher than any prior recession since WWII. This makes a job recovery a formidable challenge. Adding insult to injury is the fact that the pace of job recovery in our increasingly consumer-driven economy has been slowing through each recession encountered over the past 40 years. Thus, if the pace of job creation mirrors the jobs recovery following the 1991 recession, then recovery to 2007 employment levels will take at least three and possibly four more years. This assumes, of course, the economy does not stall or slip into a negative GDP growth scenarios as most recently unfolding events seem to indicate.

For Louisiana as a whole and New Orleans in particular, a slowdown expectation creates significant concerns for the tourism and convention business, both of which are fueled by confidence-driven discretionary spending by individuals and businesses. The prospect of long term unemployment and rising fuel costs will do little toencourage households and businesses to spend on travel and related activities. Such a scenario places downward pressure on forward bookings of conventions and group meetings and reduces visitor lengths of stay and expenditures. Adding to the difficulty is the lingering effects of the BP spill which create distractions among those planning visits and meetings to the region. Some of this may be offset by additional marketing and promotion resources committed by BP and to aggressive public relations efforts by state and local officials.

The national and global economic recovery continues to face a number of hurdles which will have direct effects on the sustainability and growth rate of state and local economies. One that gets ever present attention is the huge hangover that could very well follow the "spending binge" encouraged by the current federal administration and its co-dependent facilitators on Capitol Hill creating operating deficits in the trillions of dollars. This led the executive director of the Congressional Budget Office to observe that the nation's budget outlook is "on an unsustainable path." This is a startling and increasingly obvious assertionthat has significant and serious implications for future economic recovery and growth. The basic message is that trillion dollar deficits cannot be absorbed indefinitely without doing significant and potentially long term harm to the basic structure of the U.S. economy and possibly to the country itself. It is apparent and unfortunate that Congress and the Administration did not seriously heed this warning in the most recent "debt crisis drama" played out over the past several weeks. Stay tuned for the next episode complete with cliff-hanging threats and "death defying" stunts by the players.

Clouds of uncertainty regarding tax and regulatory policies also dampen the creation and expansion of small businesses. Tax policies designed to punish prosperity (while redistributing wealth to the non-productive) and entrepreneurial initiative combined with the newly discovered financial burdens of nationalized healthcare, are not a backdrop that encourages business owners to consider new investments or hire more people. These are also troubling conditions forindividuals who extend equity and debt capital to those who own and start new businesses. The future is uncertain and the risk profile is unacceptable.

Additionally, there is always threat of the regulatory hammer falling indiscriminately on community banks, thrifts and other financial intermediaries which, for the most part were not responsible for the problems that the "steroid" enhanced regulationsare intended to fix. It is generally a given that whenever regulatory retributionunfoldsits costs and consequences fall indiscriminately on all,with disproportionate negative effects hitting those who are largely innocent of the targeted offenses. As Dodd-Frank and other regulatory measures continue to unfold, new surprises and added costs will burden small to medium sized institutions more significantly and push many to seek consolidation options with larger banks. From Big Government's viewpoint they are largely collateral damage.

The greater regulatory interference and its attendant costs are already producing a tightening of credit terms at a time when these terms should be encouraging investments to spur economic recovery. Credit terms on all types of lending, particularly commercial real estate, have been tightened and are not likely to show much tendency to being loosened any time soon. In many respects, the same can be said for much of the residential mortgage market which has also undergone some regulatory guidance re-shuffling in the wake of the sub-prime meltdown and the reorganization of Fannie Mae and Freddie Mac.

Further fueling lender apprehension is the threat of further deterioration of asset values (loans) in many portfolios (particularly the commercial variety) and the waves of refinancing that continue unfolding on "underwater" properties financed with mini-perm or other floating rate short term loans. For some lenders, these balance sheet deficiencies have earned them down-rated examination scores at best and in some cases regulatory management directives or cease and desist orders. To say that most lenders are treading carefully is somewhat of an understatement when they stand in the shadow of regulators who seem eager to drop their hammer of authority. Unwinding the lingering mess of the boom days of 2003 - 2007 is going to take longer and be more painful than most anticipated. The result will be tighter strings on credit availability. This is particularly true for small businesses which typically contribute most to job growth, despite the somewhat hollow initiatives the current administration as promulgated and agencies such as the SBA have attempted to execute. In many ways bankers are being asked to play the equivalent of a TV game show. Behind Door 1 are new and expanded SBA loan programs designed to help grow small businesses and possibly give a little "kick" to a lender's CRA rating. However, behind Door 2 are Federal banking regulators armed to the teeth with new and expanded authority with a laser-like focus on safety and soundness. Since small business loans have an inherently riskier profile, the lender's dilemma with these seemingly contradictory initiatives should be more than a little obvious.

Although the nation's GDP grew at a fairly healthy pace through most of 2010, the first quarter growth of 1.8% was a significant slowing for the nation's economy. Much of the positive performance of GDP in the third and fourth quarters of 2009 was largely fueled by stimulus interventions (i.e. cash for clunkers, homebuyer tax credits, make-work public projects, etc.); while 2010saw the rebuilding of inventories across both consumer and business sectors. The housing and real estate sectors have yet to be major fuel to the GDP flame and are not likely to be so until excess inventories are worked off and consistent levels of new construction hit a reasonable stride. These are two reasons for the lowered growth expectations discussed previously for the balance of 2011.

Rebuilding inventory only makes sense if consumers decide to open their wallets and become more consumption oriented, particularly for major hard goods purchases such as furniture, home furnishings, appliances, cars, etc. All of these merchandise categories are the focus of major discount and interest-free purchase promotions which indicate consumer resistance and reluctance and a lack of confidence. This is not likely to change much until unemployment begins to fall, the threat of further job losses subsides and a sense of calm returns. Fueling consumer spending with another round of "unbridled" debt is not likely since many consumer balance sheets are still under repair and the ability to leverage home equity has all but evaporated for many whose homes may remain at or near the mortgage underwater line. Consumer liquidity and spending potential need to be driven more directly by fundamentals: real income growth due to wage and salary gains and entrepreneurial profits. With major employers still announcing workforce reductions, the general consuming public is not likely to be bought off by "jobs" focused programs promised by Washington that contribute more to federal debt than real job growth. Going forward, this national and global economic backdrop will have both direct and indirect effects on the regional and state economies, both of which have looked comparatively healthier than many for the past two years. However, the extraordinary circumstances encompassing the post-storm rebuilding have benefitted the state and region in ways that are unique. Over the next five years, one challenge for the New Orleans area will be to attract sufficient levels of private capital to fill the voids left by the shrinking pot of rebuilding funds provided by federal and other non-private financial resources. In many respects, these resources have been used strategically to rebuild and improve infrastructure upon which a revitalized and more diversified economy can be built.

Employment Trends in the New Orleans Region

Tables provided in this report summarize employment growth trends for selected quarters for the New Orleans metropolitan area by parish and business sector extending through the fourth quarter of 2010 (Q4/2010). The tables show the most recent quarterly employment data available, the current status of job growth and job recovery in comparison to the region's immediate pre-Katrina status.

Through Q3/2010, the New Orleans economy added 57,835 wage and salary jobs since the post-Katrina rebuilding process started in the first quarter of 2006. This recovery restored the equivalent of about 40.0% of the 144,946 jobs lost in the immediate post-Katrina period from August 2005 to Q1/2006. These job additions also brought total wages and salary employment in the region to 513,974 by the end of Q4/2010 or to about 85.5% of where the area's total job count stood just before Hurricane Katrina. This generally positive news regarding the region's economic recovery since Katrina, and continue a trend started in 2009 when the region's wage and salary job count rose by 3,965 or 0.7%. During the most recent quarter, the region recorded a net gain of 6,973 jobs (a 1.3% increase). These job gains were spread geographically across the metropolitan area (in all but three of eight parishes) and across ten of the region's twenty business sectors. However,at the current monthly average pace of employment growth since Q1/2006, it is unlikely that total employment would return to its pre-storm level of 601,085 until the latter part of this decade if even then. If the national economy recovers faster, this could shorten this long term job recovery horizon. Of course, with a smaller population base and smaller basic footprint, the region's employment would not need to recover to that level. This is an issue that remains unsettled and will continue to unfold over the next few years as major projects are completed (i.e. the LSU/VA medical complex) and initiatives focused on growing a new entrepreneurially focused economy gains traction. The region's economy is very much a work in progress and will continue to be so for the foreseeable future.

Parishes accounting for the largest job gains from Q4/2009 to Q4/2010 were Orleans (up 2,103 or 1.2%), Jefferson (up 1,032 or0.5%) and St. Bernard (up 1,017 or 10.3%). More modest job gains were reported for St. Tammany (up 442 or 0.6%)andPlaquemines (up 680 or 4.8%).Job losses were reported in St. Charles (down 695 or 2.9%),St. James (down 416 jobs or 5.2%) and St. John (down 197 jobs or 1.3%). Even with these job losses, most suburban parishes not as severely impacted by Katrina have current employment levels exceeding those present just prior to the storm. This is particularly true of the River Corridor parishes (St. John and St. James) as well as fast growing St. Tammany on the Northshore. Parishes most significantly impacted by Katrina, Orleans and St. Bernard, remain well below their pre-storm job counts (at recovery rates of 71.1% and 61.7%, respectively), while others such as Jefferson and Plaquemines have recovered to within 90.9% and 98.4%, respectively, of the August 2005 job levels.

Driven by new construction and rebuilding activity, Orleans Parish recovered28,659 jobs between Q1/2006 and Q4/2010 or at the rate of about 400 monthly. This recovery added back just over29% of the almost 98,500 jobs lost post-Katrina and brought the City to just over 71% of where its total wage and salary employment stood the day before the storm made landfall. Although encouraging, this pace of job growth for Orleans Parish is less than thepace record through Q4/2009 and implies a slight slowing of recovery that will make the journey back to near pre-storm status longer and more challenging. Aggressive and more creative economic development initiatives and the continuing infusion of funding to rebuild infrastructure and restore services should fuel job growth in Orleans Parish. This is particularly true for projects that have received firm funding commitments,that are moving forward, and that generate demand for more construction and workers in related fields. Filling available positions with skilled labor should remain relatively easy as workers migrate from other regions of the U.S. where construction remains at a virtual standstill. This has helped to reduce costs for many projects as has the entry of contractors from throughout the U.S. bidding on local projects. The deployment of more federal funds to mitigate flooding and to continue major rebuilding projects such as the LSU/VA hospital complex, should also provide a steady stream of new resources to support existing and new jobs in construction and related sectors. The completion of the BioInnovation and Cancer Research Centers provides new anchors to the Downtown Medical District and should help continue restoring and expanding healthcare services in the region. These projects will also provide opportunities for economic diversification and technological innovation that can lead to new waves of entrepreneurial activity, private investment and job growth. The presence of these major projects and the significant investments they have the potential of attractingshould help accelerate the pace of job growth and thus shorten the City's economic rebound to more robust employment levels.

Job gains in particularly hard hit St. Bernard Parish through Q4/2010 added back about 36% of the 10,510 lost immediately after Katrina. The growth of 3,760 jobs since Q1/2006 brought St. Bernard to 61.7% of its pre-storm level. At this pace, however, St. Bernard would not approach its August 2005 total employment of 17,625 for another four to five years. Although rebuilding continues in this historically working class community, it faces significant challenges as it pursues complete recovery from Katrina.Federal investments to restore and improve storm surge protection and rebuild much of the parish's infrastructure have encouraged displaced residents to return, while bargain prices on homes and vacant homesites are attracting the attention of new residents. Most recently, St. Bernard, like many other coastal parishes, was confronted with disruptions created by the BP oil spill and the overshadowing uncertainties of the long term effects of this environmental disaster on the fishing and seafood sectors of its economy. In the short run, this event put many boat owners and crews to work with clean-up operations. However, fish and shellfish landings continue to lag behind pre-spill levels and some harvesting operations, particularly oysters, have been put on indefinite hold. The long term effects on seafood production are difficult, if not impossible, to measure and those dependent upon this and related sectors for their livelihoods will only know what they may be with the unfolding of time.

Business sectors in the metropolitan area that have grown through Q3/2010 to levels exceeding or recovering very close to their pre-storm job counts include construction and professional and scientific. The construction sector stands at 102.1% of its level in 2005 just before the storm. Despite the massive infusion of capital to rebuild levees, streets and a wide range of public infrastructure and facilities, the basic construction workforce as measured by wage and salary jobs has remained fairly static at the end of a six year period. As previously observed, this could very well be related to the fact that many contractors are not based in Louisiana and also that many employed in the trades are self-employed and thus not reported on the quarterly wage and salary job rolls. There also remain a large number of migratory workers involved in various aspects of construction, typically very low to moderate skilled jobs, who are part of an underground labor force paid mostly in cash who are never counted in the official construction sector. How many people this accounts for is anyone's guess. At a total of 32,641 jobs through Q4/2010, employment in construction throughout the region has actually drifted down for the past several quarters and is about 1.7% below its level for Q1/2007 when residential construction in outlying parishes such as St. Tammany was still surging ahead to accommodate displaced households and those generally seeking higher ground. As new construction in many surrounding parishes has plummeted, a significant number of jobs have been lost.

Growth in the professional/technical sectors is particularly welcome since it typically accounts for comparatively high average wages and signals a continued turn toward greater economic diversification for the region. In some respects, growth in this sector may be linked to recovery and expansion in the medical and healthcare sector which requires a wide range of technical and scientific disciplines. This sector may also be driven by entrepreneurial initiatives emerging post-Katrina in the region, particularly in areas such as film and video and digital media. This sector gained 945 jobs between Q3/2010 and Q4/2010, it has accounted for 3,138 new positions recorded since the first quarter of 2006.

Sectors accounting for the largest numeric gains in employment between Q1/2006 and Q4/2010 are healthcare (17,508 jobs added) and accommodation and food service (17,517 jobs added). Both of these sectors continue to play a strategic role in the on-going recovery of the local economy. Growth of healthcare and related jobs is directly linked to the area's ability to fully restore quality of life to levels that encourage displaced residents, (particularly the elderly) to return and attract others to the region as a place to live and pursue economic opportunities. Between Q3/2010 and Q4/2010 jobs in the healthcare sector fell by 458 jobs but grew by a net of 5,474 jobs since 2008's first quarter. In Accommodation and Food Services, employment between Q4/2009 and Q4/2010grew by 4,135 jobs and in the most recent quarter 1,355 jobs were added. This is clearly good performance given the recent setbacks in economic conditions at the national and global level. The continued addition of affordable housing readily accessible to job opportunities in the downtown area should help to further stabilize this very important sector of the regional economy.

Other sectors in the region that are particularly vulnerable to the on-going economic uncertainty include manufacturing, wholesale and retail trade and transportation and warehousing. Decreased demand for petroleum-based products or limited supplies of raw production have negative implications for much of the region's manufacturing sector represented largely by petrochemical processing facilities in the River Corridor. Jobs in this sector have steadily fallen throughout most of the past decade from a high of 45,265 in Q1/2001 to 34,064 in Q4/2010. This represents a loss of 11,201 jobs or a decrease of 24.7% in a ten year period. In other words, manufacturing employment stands at about 75% of the 45,265 jobs that existed in this sector in Q1/2001 and reflects a very troubling long steady erosion of jobs in this sector. There are numerous reasons for this steady loss, none the least of which is the gradual move of manufacturing to offshore/foreign locations and the increasingly costly operating base imposed by layers upon layers of state and federal environmental regulations. These have been particularly harmful to the state's petrochemical sector and thus to many manufacturing and processing plants from New Orleans to Baton Rouge. Given the persistent regulatory tone in Washington, this operating environment is not likely to change anytime soon particularly with the proliferation of regulations to address the controversial issue of CO2 emissions and greenhouse gasses. On the positive side, site selectors continue to bring manufacturing prospects to the River Corridor as evidenced by the recent announcement by NUCOR regarding a 2,000 acre site they have secured for a major plant in St. James Parish.

The region's retail and wholesale trade sectors gained strength through the end of 2010'sfourth quarter. Retail trade employment stands at just over 86% of where it was immediately before Katrina which resulted in the loss of over 16,000 jobs. About 40% of the jobs in this sector have been recovered through Q4/2010with a surge of jobs occurring at the end of 2010. Between Q3/2010 and Q4/2010, retail jobs grew by 2,485 (or about 4.4%). Like construction, working retail trade may very well be employed "off the books" for any number of reasons. Consequently, they do not appear in official employment counts. It is also worth noting that the continued restructuring and shrinkage of many national and regional retail chains has resulted in store closures in the New Orleans region and thus the loss of positions. Additionally, several major retail development projects have been delayed by economic conditions and financial restraints. This has been largely offset by growth among smaller retail chains and locally owned businesses. The latter is particularly evident with rebuilding neighborhoods throughout New Orleans which offer a growing mix of local stores, restaurants and entertainment venues.

Wholesale trade is another which has been faced with local and national conditions that have contributed to steady job declines for most of the past decade. Even before Katrina, wage and salary employment in wholesale trade was trending downward from 28,784 in Q1/2001 to 26,356 in August 2005 just prior to Katrina, an 8.5% shrinkage. Since the storm, employment in this sector has fallen to 21,960 (16.7%) and is now at about 76.3% of its Q1/2001 level. Although recent global and national economic conditions have contributed to this sector's more recent job losses, its longer term contraction is structural and fundamentally more long lasting. To a great extent technology and the restructuring of business models in sectors such as retail trade and warehousing and transportation have fueled job losses in the wholesale sector as has the declines previously discussed in some areas of manufacturing. Since they are all intimately linked with trade, both domestic and foreign, stemming the tide of job losses is very much a macro issue over which local interests exert little or no control.

Employment Trends by Parish
Metropolitan New Orleans Labor Market Area
January 2001 to December 2010

	Year									Change							% of Jobs Recovered
Employment Sector	Q1/2001	Q1/2005	August 2005	Q1/2006	Q1/2007	Q1/2008	Q4/2009	Q3/2010	Q4/2010	Q1/2001 - Q1/2005	Q1/2005 - 8/2005	8/2005 - Q1/2006	Q1/2006 - Q4/2010	Q1/2008 - Q42009	Q4/2009 - Q4/010	Q3/2010- Q4/2010	August 2005 vs Q4/2010
Jefferson	212,974	210,801	214,370	183,587	196,961	198,959	193,761	192,769	194,793	-2,173	3,569	-30,783	11,206	-5,198	1,032	2,024	90.9%
Orleans	261,646	242,843	241,264	142,812	164,662	169,959	169,368	168,341	171,471	-18,803	-1,579	-98,452	28,659	-591	2,103	3,130	71.1%
Plaquemines	17,329	15,207	15,204	13,653	14,074	14,026	14,286	14,702	14,966	-2,122	-3	-1,551	1,313	260	680	264	98.4%
St. Bernard	15,965	17,387	17,625	7,115	8,262	9,167	9,858	11,013	10,875	1,432	238	-10,510	3,760	691	1,017	-138	61.7%
St. Charles	20,098	22,683	22,593	22,459	23,696	23,275	24,070	22,569	23,375	2,585	-90	-134	916	795	-695	806	103.5%
St. James	7,220	7,214	7,560	6,877	7,045	7,267	8,025	7,859	7,609	-6	346	-683	732	758	-416	-250	100.6%
St. John	12,792	12,825	13,012	13,900	14,784	14,784	15,353	15,347	15,156	33	187	888	1,256	569	-197	-191	116.5%
St. Tammany	57,840	67,369	69,457	65,704	74,843	74,487	75,287	74,572	75,729	9,529	2,088	-3,753	10,025	800	442	1,157	109.0%
Total*	605,854	597,310	601,085	456,139	504,064	511,754	510,009	507,001	513,974	-8,544	3,775	-144,946	57,835	-1,745	3,965	6,973	85.5%

Source: Labor Market Statistics, Quarterly Census of Employment and Wages Program

\# Total employment indicated here may not equal the sum of the employment for each sector of nondisclosed data

Employment Trends by Major Business Sector
Metropolitan New Orleans Labor Market Area
January 2001 to December 2010

	Year									Change							% of Jobs Recovered
Employment Sector	Q1/2001	Q1/2005	August 2005	Q1/2006	Q1/2007	Q1/2008	Q4/2009	Q3/2010	Q4/2010	Q1/2001 - Q1/2005	Q1/2005 - 8/2005	8/2005 - Q1/2006	Q1/2006 - Q4/2010	Q1/2008 - Q42009	Q4/2009 - Q4/010	Q3/2010- Q4/2010	August 2005 vs Q4/2010
Agriculture, Forestry, Fishing, and Hunting	666	559	701	508	494	493	480	480	471	-107	142	-193	-37	-13	-9	-9	67.2%
Mining	11,233	8,399	8,475	7,992	7,961	8,276	7,776	7,444	7,330	-2,834	76	-483	-662	-500	-446	-114	86.5%
Utilities	4,974	4,932	4,885	4,614	4,096	4,116	4,137	4,206	4,181	-42	-47	-271	-433	21	44	-25	85.6%
Construction	33,081	31,186	31,959	32,759	33,221	33,130	32,730	31,819	32,641	-1,895	773	800	-118	-400	-89	822	102.1%
Manufacturing	45,265	41,136	41,543	35,976	38,236	38,657	35,898	34,699	34,064	-4,129	407	-5,567	-1,912	-2,759	-1,834	-635	82.0%
Wholesale Trade	28,784	25,398	26,356	22,154	23,713	23,795	22,269	21,766	21,960	-3,386	958	-4,202	-194	-1,526	-309	194	83.3%
Retail Trade	70,124	68,151	68,610	52,494	60,121	61,138	59,174	56,497	58,982	-1,973	459	-16,116	6,488	-1,964	-192	2,485	86.0%
Transportation and Warehousing	31,171	28,936	29,387	23,938	25,028	24,674	24,304	24,574	25,023	-2,235	451	-5,449	1,085	-370	719	449	85.1%
Information	11,617	11,304	11,237	8,276	9,212	8,996	6,600	7,478	7,058	-313	-67	-2,961	-1,218	-2,396	458	-420	62.8%
Finance and Insurance	22,724	21,380	21,796	17,604	18,142	17,699	17,104	16,968	17,187	-1,344	416	-4,192	-417	-595	83	219	78.9%
Real Estate and Rental and Leasing	12,253	11,485	11,574	7,944	9,044	8,831	7,956	8,023	8,009	-768	89	-3,630	65	-875	53	-14	69.2%
Professional, Scientific, and Tech Services	28,935	29,951	29,506	27,743	29,033	29,046	30,136	29,936	30,881	1,016	-445	-1,763	3,138	1,087	745	945	104.7%
Mgmt. of Companies and Enterprises	9,016	8,619	8,644	6,206	7,662	7,831	8,277	8,139	8,238	-397	25	-2,438	2,032	446	-39	99	95.3%
Adm. And Support and Waste Mgmt	39,371	37,116	37,854	30,737	33,701	31,672	29,856	31,260	30,377	-2,255	738	-7,117	-360	-1,816	521	-883	80.2%
Educational Services	51,524	56,706	51,196	36,963	38,658	40,504	44,284	40,937	43,621	5,182	-5,510	-14,233	6,658	3,780	-663	2,684	85.2%
Health Care and Social Assistance	75,037	78,554	80,257	52,190	59,413	63,430	69,362	70,156	69,698	3,517	1,703	-28,067	17,508	5,932	336	-458	86.8%
Arts, Entertainment, and Recreation	15,050	15,105	16,784	9,014	12,336	13,086	11,302	11,836	11,613	55	1,679	-7,770	2,599	-1,784	311	-223	69.2%
Accommodation and Food Services	68,032	70,614	72,014	43,597	53,756	56,083	56,979	59,759	61,114	2,582	1,400	-28,417	17,517	896	4,135	1,355	84.9%
Other Services	17,946	16,916	17,124	11,024	13,301	13,626	13,699	13,203	14,506	-1,030	208	-6,100	3,482	73	807	1,303	84.7%
Public Administration	29,052	29,956	30,147	23,567	25,605	24,913	26,215	27,004	26,215	904	191	-6,580	2,648	1,302	0	-789	87.0%
Total*	605,854	597,310	601,085	456,139	504,064	511,754	510,009	507,001	513,974	-8,544	3,775	-144,946	57,835	-1,745	3,965	6,973	85.5%

Source: Labor Market Statistics, Quarterly Census of Employment and Wages Program

\# Total employment indicated here may not equal the sum of the employment for each sector of nondisclosed data

OVERVIEW OF THE REAL ESTATE MARKET BY SECTOR

Hurricane Katrina caused significant damage to all sectors of the New Orleans real estate market. Supply disruptions and reductions in the short term placed upward pressure on occupancy and rents, particularly for residential multi-family properties. These disruptions, however, proved to be somewhat of a blessing in disguise as the laser focus on recovery and rebuilding insulated the region from the over exuberant flood on new construction that has left many markets around the U.S. awash in vacant office, retail and warehouse inventory. Since 2007 as inventory was repaired, rebuilt or constructed new, occupancy and rent levels for many categories of space flattened and in some cases decreased as the various sectors of the real estate market adjusted to the reality of new supply and demand dynamics. Toward the end of 2008 and through much of 2010, some sectors of the real estate market weakened as the effects of a severe global and national recession began to negatively impact strategically important portions of the local economy, particularly the Triple T's of Tourism, Trade and Transportation. More recent disruptions related to the BP oil spill and subsequent federally imposed moratorium on deep well drilling are somewhat reflected in the trends discussed in the sections which follow as are the potential effects of impending closures at major employment centers such as Avondale Shipyards and the Michoud Assembly Facility. The impact of these events has yet to be fully felt although some conditions reported during 2010's second half are rooted in the effects of one or more of these trends.

The addition of space across the region has generally outpaced the market's ability to fully absorb that which is placed into commerce as new or recently restored/rebuilt inventory. This continues to be evidenced by the behavior of rents over the past 18 to24 months in that they have flattened and declined in many geographic and product type sub-sectors of the commercial market. It is also clear that flat to moderately lower asking rents are masked by a wide range of concessions and incentives offered by property owners to attract and keep tenants. In many cases landlords continue to informally accept lower than contract rents, defer payments for specific or indeterminate periods, accept"whatever the tenant can afford" and waive certain expenses that would have (by lease contract) been passed through to the tenant. Some apartment and commercial brokers and property owners continue to compare the current market conditions in the region to those experienced during the mid-1980's, although they are fewer in number than last year. Those with the most significant challenges are brokers faced with the somewhat daunting task of re-marketing space vacated by one or more national chains as a result of bankruptcy or strategic pull back to avoid the former.

The following summarizes occupancy and rent trends from Fall 2008 to Fall 2010 for apartments, retail shopping centers, office buildings and warehouse and distribution space. It should be emphasized that the surveying of properties to measure inventory conditions remains difficult and that the amount of space available continues to change as damaged space is returned to commerce. Also, property owners and managers have, in some instances, become more reluctant to report what they view as troubling occupancy and rent levels. As such, what is summarized here might very well include reporting bias that overstates actual inventory utilization and rent conditions in the market.

Over the past several years much of the new inventory expansion has been driven largely by the availability of favorable financing made possible by Gulf Opportunity Zone bonds and other incentive programs authorized by Congress. Although intended to fuel reconstruction in heavily damaged areas of the Gulf Coast, these incentives also fueled new construction in areas that were not seriously impacted by Katrina. As such, some of these areas have become somewhat overbuilt. This is most evident among small strip retail centers and office buildings as well as for multifamily rental apartments. The latter has been the recipient of significant non-conventional financing utilizing Low Income Housing Tax Credits (LIHTCs) as well as layers of government (i.e. CDBG) and nonprofit (i.e. foundations) financing. In most cases, however, these programs are slowly winding down and the pipelines of new construction fueled by them are shrinking. Going forward, more conventional mixes of financing will be required to drive development and construction of new inventory. In the current banking and regulatory environment, the likelihood of a flood of capital to fuel over-building is rather low. Consequently, it would be safe to assume that, in most cases, occupancy and rent levels will begin to firm over the next twelve months assuming of course no major economic meltdowns. The following is a brief discussion of each major sector of the metropolitan real estate market.

Apartments

Apartment occupancy trends over the past several years reflect rather well the somewhat erratic shifts in inventory utilization rates that would generally be expected in a region visited by one of the most damaging and disruptive natural disasters in U.S. history. The combination of economic dislocations, population displacements and housing inventory damage and destruction produced changes in occupancy rates from one period to the next that were sharp and somewhat unprecedented in the New Orleans market. And, although some level of stability appears to be returning as the market settles into its "new normal," the opportunity for yet further adjustments remains on the horizon as new inventory awaits entry into the production pipeline and the looming uncertainties associated with national and global economic conditions unfold and produce their imprints on the local market particularly in terms of job creation and population migration.

After hitting a post-Katrina average of 95%, occupancy rates from the 2006 to 2008 period steadily edged downward in the New Orleans region. By year end 2008, average apartment occupancy had fallen to 86.9% following two previous year consecutive decreases to 91.9% and 90.1% in 2006 and 2007, respectively. In 2009, average reported occupancy edged up in the region to 88.3% and by year end 2010 it had risen to 89.5%.

In the period immediately following the storm asking rents spiked by 36.5% rising from an average of $679 in 2004 to $927 in 2005 just after Katrina. This immediate post storm period was characterized by an unprecedented rush to secure housing by those displaced or who moved into the region quickly to participate in the initial recovery and rebuilding efforts. This surge in demand absorbed just about all of the region's available apartment inventory and pushed rents up at a record pace since for many price (rent) was no object. This spike moderated somewhat in 2006, but resumed in 2007 and 2008 as asking rents rose to $993 and $1,030, respectively.

Average asking rent in the region through year end 2009 dropped to $934 or by 9.3% when compared to year end 2008. This is partly attributed to sampling anomalies caused by non-cooperative property owners/managers and a roll-back of asking rents in sectors of the market adjusting to the entry of new inventory, particularly in the Warehouse District in New Orleans and on the Northshore in St. Tammany Parish. In the Warehouse District sector, averaging asking rent dropped from $1,763 to $1,465 (16.9%), while in St. Tammany Parish it dropped from $1,038 to $897 or by 13.6%. In Jefferson Parish, average reported rents edged down from $951 at year end 2008 to $929 at the end of 2008 or by 2.3% and were most notable in the East Metairie (down 6.3%) and Harvey Canal East/Gretna (down 8.0%) sectors. Asking rents in the region rose to an average of $972 through the end of 2010 or by 4.1%. Rent gains were reported for properties in Orleans and St. Tammany Parishes while in Jefferson average rents continued in a slightly downward trend.

Within the region, particularly in Orleans, Jefferson and St. Tammany Parishes, the movement of average occupancy and rental rates is a direct reflection of how the market responded to the unprecedented Katrina-imposed dislocation and subsequent recovery and rebuilding. Jefferson Parish's experience is quite illustrative of wide swings in the forces of supply and demand.

In 2004 and in the period just prior to Katrina, apartment managers and owners of properties located in Jefferson Parish reported average occupancy rates of 94.7% and 94.6%, respectively, with most geographic subsections having average occupancy rates of 94% to 95% or above. By most measures of strength, Jefferson Parish's apartment market would generally be characterized as very stable to strong. This is a condition which this sector of the regional market has typically enjoyed for the better part of two to three decades even with short periods of overbuilding taken into consideration.

In the period immediately following Hurricane Katrina, average apartment occupancy in Jefferson soared to near a saturation level of 99.6% parish wide and to 100% in three of its subsections. The reasons are pretty clear as those displaced from flooded homes in portions of Jefferson Parish as well as Orleans and St. Bernard secured short term immediate shelter to begin and oversee the process of rebuilding. This made up one segment of demand for rental units in Jefferson. A second segment included the many who descended upon the region in the weeks and months immediately following the storm to assist in the recovery, clean-up and rebuilding process. This included construction and disaster recovery crews not otherwise housed in temporary quarters or lodging facilities as well as representatives from insurance companies and a wide array of government agencies. The need for shelter was immediate and acute and for many in these immediate post-disaster months, price (rent) was no object. It should also be noted, that although Jefferson Parish's apartment inventory did not suffer the same level of damage and destruction inflicted on units in neighboring Orleans Parish, some units were temporarily unavailable. This was due in large part to wind damage and comparatively light (two to four inches) of flooding on the ground floors of some garden apartments located in Metairie.

Since the post-Katrina near saturation peak, average occupancy levels steadily fell in Jefferson Parish reaching 88.1% at year end 2009. Declines were particularly sharp in some geographic submarkets of Jefferson. In Kenner, for example, average occupancy fell from a post-Katrina high of 98.8% to a year end 2009 average of 81.9%, while in the River Ridge sector average occupancy over the same period had dropped from 100% to 85.4% in 2009.

These patterns are reflective of several forces that through the end of 2009 did not necessarily favor strong demand for rental apartments in Jefferson Parish.

As owners of relatively lightly flooded homes in Jefferson were able to complete repairs of their property (with or without insurance proceeds) they were able to vacate their temporarily secured rental apartments. Also, as recovery and initial clean-up phases wound down, short term labor and support crews vacated apartments in Jefferson Parish. These had particular influence moving through the end of 2006 and into 2007. Thereafter, the restoration and rebuilding of homes and rental properties in many Orleans Parish neighborhoods allowed those occupying Jefferson Parish located rental units to return home or to neighborhoods from which they were displaced. This gained momentum during 2007 and into 2008 particularly in response to funds available through the Road Home and Small Rental programs. These fueled a steady increase in new housing inventory which was further supplemented by the introduction of additional apartment inventory linked to tax incentive financing programs and rebuilding efforts funded through insurance proceeds and SBA loans. These forces helped to further drain demand from Jefferson Parish's apartment inventory and thus drive the gradual decrease in average occupancy levels. Further aggravating the situation in Jefferson was a lack of replacement demand due to slow to no population and employment growth over the past two to three years.

- During 2010, the demand for rental apartments in Jefferson Parish strengthened as average occupancy rose to 96.4%. This improvement was consistent across each of the parish's sub-markets with the most notable strengthening occurring in the West Metairie area where average occupancy rose from 87.9% in 2009 to a year end 2010 level of 91.6%.

- Similar resurgence in demand also occurred in the Kenner sector (81.9% to 83.9%) and East Metairie (91.5% to 94.5%) on the Eastbank and in the Harvey Canal East/Gretna area on the Westbank from 91.1% to 92.2%.

- Jefferson is the second most populous parish (according to the 2010 Census) in the state with a relatively stable core of major employers and business centers. These provide jobs at a wide range of salary levels including service and retail employment which drive demand for rental housing.

- As the regional economy grows and expands, these employers are likely to create more jobs that will help support and sustain demand for rental units across Jefferson Parish.

- With little to no new construction in the pipeline, steady-state economic growth should be more than sufficient to support current levels of apartment demand in Jefferson Parish.

- In Jefferson Parish, the movement to higher average occupancy levels was generally facilitated by more aggressive and competitive pricing. Overall, parish-wide average asking rent edged down from $929 to $914 or by 1.6% with properties in all sub-sectors reporting either reductions or remaining mostly unchanged since year end 2009.

St. Tammany Parish reflects some similarities to Jefferson in the movements of supply and demand in the post-Katrina regional housing market. Between the end of 2004 and just prior to Katrina, average apartment occupancy in St. Tammany Parish dropped from 95.6% to 88.4%. This was largely the result of the addition of new inventory which began to enter the supply pipeline in mid-2003 and was completed during the middle of 2004. This produced a very short term period of inventory overhang which was quickly remediated in the weeks and months following Katrina. In the immediate period following the storm, parish wide average apartment occupancy in St. Tammany rose to 98.7% as dislocated households moved to the Northshore from flood damaged neighborhoods in Orleans and St. Bernard Parishes. This surge of growth held average occupancy rates at just under 98% through the end of 2006 and started to drift down in a pattern similar to the experience of Jefferson Parish as dislocated households returned to their homes on the Southshore and as a cohort of new apartment construction began entering the supply pipeline. These properties have taken advantage of post-storm financing and tax-treatment incentives and have grown the availability of new rental apartments in both the east and west sectors of the St. Tammany Parish market. At the same time, population, household and employment growth rates in the parish have all slowed somewhat.

- These forces combined to push average occupancy down to 91.3% in 2007 and then to 81.6% in 2008.

- The parish's slow but steady growth and slowing of new multi-family construction have combined to absorb the overhang of new inventory and push average apartment occupancy to 88.3% at year end 2009 and to 91.0% by the end of 2010.

- Going forward, with relatively few new units in the construction pipeline, average apartment occupancy should continue to edge upward over the next 12 to 18 months.

- The entry of new product, particularly in the western sector, pushed average asking rent to $953 by year end 2010, an increase of 6.2% over 2009.

In Orleans Parish, the apartment market was functioning in a relatively balanced state just prior to Katrina. In 2004, year end apartment occupancy averaged 94.8% while in the pre-storm months of 2005 average reported occupancy stood at 94.5%. For the most part, average occupancy rates across each of the parish's geographic submarkets exceeded 90% with most at or above 95%. The storm had the immediate effect of rearranging apartment inventories and abruptly shifting residents who remained in the region to units in sectors of the parish where storm and flood damage was less severe. As a result, average occupancy rates experienced wide swings during the immediate post-Katrina and 2006 reporting periods. Average occupancy rose to 88.2% in 2006 and then turned down to 84.4% as new and rehabilitated inventory began entering the supply pipeline. These additions to inventory have, in the majority of instances, been driven by the mix of tax and financing incentives made available to help in the rebuilding effort. Another portion of the inventory additions has resulted from initiatives such as the Small Rental Program of the LRA as well as the reinvestment of insurance proceeds and other capital by individual property owners, and more recently, the large number of for sale homes that have entered the rental market.

- Even with these additions to inventory, the steady return and growth of population and households in the city has helped drive demand for rental apartments.

- The result has been an increase in average apartment occupancy to 85.3% at year end 2008 followed by a rise to 86.7% in 2009 and 87.2% at the end of 2010.

- Considering the sharp reduction in new construction in the pipeline, parish wide apartment occupancy rates are likely to continue edging up through 2011 and into 2012.

- The strongest performing sectors are the Uptown, Mid-City and Warehouse District areas. Each of these have reported average occupancy rates at or above 92% and have shown consistent improvement since 2008 when the market was confronted with the need to absorb a wave of new inventory additions which continued through much of 2009.

- These sectors enjoy convenient access to cores of economic activity and employment opportunities such as the CBD, the redeveloping medical center and the Uptown (St. Charles Avenue/Magazine Street) corridor.

- Challenges are evident in several other areas of the Orleans Parish market, such as Algiers (on the Westbank) and the Lake Forest and N.O. East sectors.

- Average occupancy reported in Algiers through the end of 2010 was 76.7%, the lowest of any geographic sector in the region and somewhat reminiscent of occupancy levels reported for this area during the overbuilding and weak economy periods of the early 1970's and early 1980's.

- Algiers benefitted greatly following the storm since it was not inundated with flood waters and suffered relatively little wind damage. Consequently, its available stock of housing was quickly absorbed by those needing shelter.

- As these demand forces lessened the inventory utilization rates began to soften and are further complicated by the fact that the Algiers area is not as readily accessible to employment centers on the Eastbank of the river and that some employers (i.e. LOOP) have relocated out of the area.

- The development of the Federal City project is likely to create significant job growth that will be readily accessible to Algiers area apartment residents and thus help push occupancy rates higher.

- A similar situation with respect to access to employment and economic activity centers impacts apartment demand and occupancy levels in the Lake Forest and N.O. East sectors.

- Although the 82% average occupancy reported for Lake Forest is below the parish wide level of 87.2%, it does represent a steady improvement since 2008 when new and rebuilt units reentered the area's rental inventory.

- Given the virtual absence of commercial and business activity in the area, this should be considered a sign of strength for this sector of the market bolstered by the significant return of homeowners to the area, as seen through the strong rebuilding activity amongst Road Home grant recipients.

- Once office and retail locations repopulate this heavily damaged part of the city, demand for rental apartments and rising average occupancy rates should become more sustainable.

- The presence of new inventory in the mix of units offered is quite evident in the Uptown, Mid-City and Warehouse District sectors of Orleans Parish and helped push average asking rent to $1,126 at year end 2010 (up 7.5% over 2009).

Apartment Occupancy and Rent Rates
New Orleans Metropolitan Real Estate Market Area
Fall 2008 to Fall 2010

Area	*Occupancy (%)*			*Rent ($)*		
	Fall 2008	Fall 2009	Fall 2010	Fall 2008	Fall 2009	Fall 2010
New Orleans Metro	86.9	88.3	89.5	1,030	934	972
Orleans	85.3	86.7	87.2	1,166	1,047	1,126
Jefferson	90.1	88.1	90.4	951	929	914
St. Tammany	81.6	88.3	91.0	1,038	897	953

Source: UNO Institute for Economic Development & Real Estate Research, *Metropolitan New Orleans Real Estate Market Analysis, Light at the End of the Tunnel Edition, Vol. 43, June 2011.*

Retail

The retail space market in the New Orleans metropolitan area has, for the most part, avoided the worst of the meltdown this sector has generally experienced in many other parts of the U.S. over the past two to three years. The Great Recession and the financial crises that preceded it fueled unprecedented retail store closures that left significant vacancies in both new and existing shopping centers and as well as free-standing single user buildings in markets throughout the country. In many cases the growth of new inventory was fueled more by excess supplies of inexpensive capital attracted by unrealistic profitability expectations (i.e. low cap rates) than by fundamentals of market demand. As vacancies rose, revenue streams evaporated and mortgage defaults increased leaving primary lenders and secondary market investors "holding the bag" on seriously devalued collateral. It is not uncommon to see new retail properties built and financed during the peak cycle years of 2006-2007 being offered for sale at 20% to 25% of their original appraised values. Thankfully, the New Orleans region has generally escaped the "fire sale" scenario, but has not necessarily been unaffected by national and industry trends.

Vacant space related to store closings such as Circuit City, Linen N Things and Levitz Furniture are still evident in the regional market but have not created distressed sale conditions. These vacant spaces in local inventory are likely to be joined by buildings currently occupied by stores such as Blockbuster, Borders and Home Depot which have announced store closings during 2011 which include New Orleans area locations.

National economic and industry conditions also continue to delay or slow down the progress of several major retail-focused developments, particularly on the Northshore. This includes the Bayer Group's Fremaux Crossings in the Slidell area and the Colonial Pinnacle project at I-12 and LA 21 in the Covington area. The Fremaux Crossings project has once again postponed its initial development phase until mid-2012 and is likely to focus more on introducing office space rather than retail facilities. The Colonial Pinnacle project was reprogrammed in 2010 to emphasize development of outparcel freestanding stores which has included Kohl's and Academy Sports locations as well as the introduction of family style restaurants such as Texas Roadhouse, Cracker Barrel and Olive Garden. As economic conditions improve and consumers become more willing and able to spend on retail merchandise, these projects will move forward and add significantly to an already rather robust and varied mix of retail space inventory on the Northshore.

The resiliency of the region's retail sector is best evidenced by the performance of its existing inventory when measured by occupancy rates and asking rents.

- Overall, owners and managers reported an average occupancy rate of 89.9% through year end 2010, up from 87.5% in 2009.

- At the same time, average asking rents remained largely unchanged at $15.89 PSF as compared to year end 2009's average of $15.93 PSF.

- In Orleans Parish, average occupancy for all types of retail centers edged up from 80.9% in 2009 to 81.8% at year end 2010 while average asking rents edged down from $27.20 PSF to $25.92 PSF or by 4.7%.

- The biggest drop in asking rent occurred in the CBD/French Quarter sector ($33.13 PSF to $31.25 PSF), while average occupancy held steady at 91.7%.

- Over the same period, the Center City sector demonstrated the strongest performance as average occupancy rose from 96.8% to 98.7% and asking rents increased from $23.83 PSF to $28.75 PSF or by 20.6%.

- Other sectors in Orleans Parish performed steadily but are still impacted by the continued return of storm damaged inventory to the market as well as the existence of vacant unrepaired retail properties.

- In Jefferson Parish, average occupancy rose from 89.9% at the end of 2009 to 97.2% through year end 2010, while average asking rents rose to $15.12 PSF or by 4.6% over 2009's average.

- Average occupancy in the Metairie sector increased to 97% at year end 2010 (up from 95.9% in 2009), while asking rent edged up from $18.62 to $19.19 PSF or by 3.1%.

- In Kenner, average occupancy held steady at 82.8% as rents rose to $13.32 PSF (up 2.7% from $12.97 PSF), while on the Westbank average occupancy increased to 89.9% and asking rents averaged $13.02 PSF (a 7.4% increase over year end 2009).

- The Elmwood sector was the only one to experience a slight downturn in occupancy (from 97.0% in 2009 to 95.8% in 2010) while at the same time reporting an increase in asking rents (from $14.08 to $14.94 PSF).

- In St. Tammany Parish, the continued expansion of retail inventory has been met with sufficient demand to push average occupancy for all types of space from 86.4% in 2009 to 88.8% at year end 2010. Over the same period, average asking rents dropped from $15.69 PSF to $14.20 PSF or by 9.5%.

- Average occupancy trended up in each of St. Tammany Parish's subsections with the highest year end rate reported for Mandeville at 89.8% (up from 86.5% in 2009). Average asking rents in this sector rose from $16.38 PSF to $16.64 PSF or by 1.6%.

- In the Covington area, average occupancy for all center types rose from 87.6% in 2009 to 88.9% at year end 2010 as average asking rents increased from $13.80 PSF to $14.36 PSF or by 4.1%.

- Among Class A centers, average occupancy rose from 87.6% in 2009 to 90.6% at the end of 2010, while average asking rent edged down 2.1% from $17.59 PSF to $17.22 PSF.

- Average occupancy for this class of retail space within the region's three largest parishes ranged from 86.3% in St. Tammany to 96.4% in Orleans, with year end 2010 asking rents of $18.63 PSF and $24.75 PSF, respectively.

- Average occupancy for Class B retail centers in the region increased from 86.9% in 2009 to 91.1% as of year end 2010 while asking rents rose from $13.76 PSF to $14.15 PSF or by 2.8%.

- Demand for Class C retail space remained relatively flat through the end of 2010 based on an average reported occupancy rate of 85.4% as average asking rent edged up from $14.67 PSF to $14.79 PSF or by 0.8%. In Orleans Parish, average occupancy rose from 67.0% to 69.2% in Class C centers as average asking rent slipped by 3.3% from $16.53 PSF to $15.98 PSF.

- Among Class C centers in Jefferson Parish, average occupancy edged down to 90.9% in 2010 from 92.1% at year end 2009, while asking rents rose 2.4% from $13.98 PSF to $14.31 PSF.

- In St. Tammany Parish average occupancy for this type property rose from 83.0% in 2009 to 84.3% in 2010 as asking rents increased from $14.67 PSF to $15.33 PSF.

Summary of Retail Occupancy and Rent
by Type of Property
New Orleans Metropolitan Real Estate Market Area
Fall 2008 to Fall 2010

Property Type	Occupancy (%)			Average Rent PSF ($)		
	Fall 2008	Fall 2009	Fall 2010	Fall 2008	Fall 2009	Fall 2009
All (excluding freestanding)	89.6	87.5	89.9	16.54	15.93	15.89
Freestanding stores	96.1	95.6	95.7	-	-	-
Malls	89.1	90.4	94.7	46.52	46.69	44.50
Class A	86.8	87.6	90.6	19.75	17.59	17.02
Class B	86.8	86.9	91.1	14.72	13.76	14.15
Class C	89.6	85.5	85.4	13.45	14.67	14.79

Source: UNO Institute for Economic Development & Real Estate Research, *Metropolitan New Orleans Real Estate Market Analysis, Light at the End of the Tunnel Edition*, Vol. 43, June 2011.

Summary of Retail Occupancy and Rent
by Parish*
New Orleans Metropolitan Real Estate Market Area
Fall 2008 to Fall 2010

Parish	Occupancy (%)			Average Rent PSF ($)		
	Fall 2008	Fall 2009	Fall 2010	Fall 2008	Fall 2009	Fall 2010
Orleans	84.3	80.9	81.8	30.23	27.20	25.92
Jefferson	92.1	89.9	92.2	15.00	14.45	15.12
St. Charles	100.0	84.5	89.5	11.33	11.13	11.83
St. Tammany	88.9	86.4	88.8	15.87	15.69	14.20
St. Bernard	76.6	66.0	84.7	-	17.00	8.50
St. John	100.0	94.7	95.7	10.25	11.21	12.38
Total New Orleans Metropolitan	89.6	87.5	89.9	16.54	15.93	15.89

* All Retail Excluding Freestanding Stores

Source: UNO Institute for Economic Development & Real Estate Research, *Metropolitan New Orleans Real Estate Market Analysis, Light at the End of the Tunnel Edition*, Vol. 43, June 2011.

Office

Although there has been a slight weakening in office space demand in the metropolitan area, the slippage in occupancy and rent levels between year end 2009 and 2010 have, for the most part, been modest. This is particularly true given the continuing economic struggles at the national level and the somewhat less than robust rate of employment growth locally. Construction of new buildings has been largely focused on the Northshore where average occupancy fell to 81.1% (down from 85.1% in 2009 and 87.8% in 2008) and has slowed significantly over the past 18 to 24 months as lenders continued to pull back and impose more stringent lending requirements. The single largest addition to inventory over the next 12 months will be the re-entry of the 486,692 square foot Benson Tower property (formerly Dominion Towers) in the CBD as part of a more extensive post-Katrina revival of the New Orleans Center property and the redevelopment of the Hyatt Regency Hotel and Convention facility. Benson Towers is in the process of becoming home to a number of state agencies which will be consolidated into this property as part of the financial incentives package to retain the NFL's New Orleans Saints. This consolidation will draw agencies currently occupying space in smaller buildings located in various sub-sectors of Orleans and Jefferson Parishes. In all, State agencies will occupy over 300,000 square feet of space in the Benson Towers property. In addition to tenants relocated from smaller privately owned buildings, the newly renovated space will be home to state agencies which formerly occupied the now demolished state office building in the CBD. Unless there is sufficient office employment growth to absorb the space vacated by state agencies, this one transaction is likely to push occupancy rates down in market sectors where most of these affected properties are located.

- Average occupancy stood at 87.2% at year end 2010, down slightly from the 87.5% average occupancy reported in 2009.

- Office rents at the end of 2010, however, averaged $15.85 PSF, a 0.5% rise from 2009's average of $15.77 PSF but 2.19% below the $16.19 PSF reported for 2008.

- In Orleans Parish, average occupancy among all types of office space edged up slightly from 87.5% in 2009 to 87.6% through the end of 2010 as asking rents rose from $15.76 PSF to $16.28 PSF or by 3.0%.

- The CBD, which accounts for the largest concentration of office space in the region, saw average occupancy rise from 87.7% to 87.9%, while average rents rose to $16.18 PSF from 2009's average of $15.68 PSF.

- Among Class B buildings in Orleans Parish, average occupancy trended up to 79.4% through the end of 2010 as compared to the 76.6% rate reported in 2009, as average asking rents edged up from $14.57 PSF in 2009 to $15.78 PSF.

- In the CBD, Class B space average rents rose from $15.10 PSF to $15.66 PSF or by 3.7% while average occupancy rose from 76.9% in 2009 to 80.9% through the end of 2010.

- Demand for Class C office space in Orleans Parish remains relatively strong as average occupancy rose from 93.1% in 2009 to 94.0% in 2010 and asking rents increased from $14.71 PSF to $15.47 PSF.

- Demand appears to be strongest in the New Orleans CBD where average occupancy remained fairly stable at 95.7% (down from 95.9% in 2009) and average asking rents rose to $15.18 PSF (up from $13.83 at year end 2009).

- In Jefferson Parish, average occupancy for all types of office properties edged down from 88.0% in 2009 to 87.7% at the end of 2010 as asking rents rose from $17.14 PSF to $17.52 PSF or by 2.2%.

- Average occupancy rates softened in two of Jefferson Parish's subsections with a 71.9% rate for Kenner located properties (down from 84.8% in 2009) and 85.4% reported for the Westbank which is down from 93.5% in 2009.

- In the Metairie area, overall average occupancy rose from 86.9% in 2009 to 87.7% at the end of 2010 as asking rents rose from $18.95 PSF in 2009 to $19.12 PSF or by just under 1.0%.

- In the Elmwood sector, average occupancy rose from 92.3% to 92.5% while average asking rent rose from $15.66 PSF to $18.13 PSF.

- Like much of the regional market, Jefferson Parish's office space inventory has remained fairly static over the past several years with new construction generally limited to small buildings with relatively little speculative space.

- Class B and C buildings account for the majority of Jefferson Parish office inventory. Average occupancy in Class B buildings rose from 84.1% in 2009 to 84.8% at the end of 2010 as average asking rents edged up from $17.30 PSF to $17.45 PSF or by about 1.0%. In Metairie, Class B buildings average occupancy increased from 80.0% to 83.4% between 2009 and 2010, while average asking rent rose from $18.07 PSF to $18.23 PSF.

- Average occupancy in the Elmwood sector as of year end 2010 stood at 91.8% (up slightly from 91.5% in 2009) with average asking rent rising from $17.81 PSF to $18.13 PSF.

- Among Jefferson Parish's Class C buildings, average occupancy slipped from 91.1% in 2009 to a year end 86.3% in 2010 while average asking rents dropped from $17.47 PSF to $16.13 PSF.

- In the Metairie sector, occupancy rates for this category of office space averaged 84.3% (down from 88.5% in 2009) while average asking rents rose from $15.98 PSF to $16.54 PSF.

- Average Class C occupancy in the Westbank market area dropped to 84.7% (down from 95.5% in 2009) as average asking rents slipped from $17.44 PSF to $15.72 PSF.

Although St. Tammany Parish has had several significant additions to office inventory over the past several years (i.e. Chevron, LOOP and LLOG), these buildings have either been built to suit the needs of specific owner occupants or have contained relatively little speculative space. In addition to these three major office developments, St. Tammany Parish has also been the location of several new buildings such as the 96,000 square foot Cypress Bend development and the 42,300 square foot Louisiana Heart Medical Plaza on LA 434 north of Lacombe. Other buildings in this newly added inventory are comparatively smaller or are being built to suite specific tenant needs such as the medical complex on the St. Tammany Hospital campus. Going forward, unless office job growth accelerates over the next 12 to 18 months, average occupancy and rental rates are likely to soften further by the end of 2011. Given the current CRE lending environment, however, it is doubtful there will be many ground breakings in 2011 for new additions to inventory.

- Since Fall 2008 average office occupancy in St. Tammany Parish has dropped from 87.8% to 81.1% at year end 2010.

- Average asking rents rose from $16.79 PSF to $17.59 PSF between 2008 and 2009 and then settled back to $16.26 PSF in 2010.

- Year end 2010 average occupancy for St. Tammany Parish office properties ranged from 79.4% in the Mandeville sector (down from 84.5% in 2009) to 85.7% in the Slidell area (down from 90.4% in 2009).

- Slidell located buildings also reported the lowest average asking rent in the parish at $14.86 PSF while in Covington and Mandeville average year end asking rents were $17.42 PSF and $16.51 PSF, respectively.

Summary of Office Occupancy and Rent by Type of Property New Orleans Metropolitan Real Estate Market Area Fall 2008 to Fall 2010

Property Type	Occupancy (%)			Average Rent PSF ($)		
	Fall 2008	Fall 2009	Fall 2010	Fall 2008	Fall 2009	Fall 2010
Total New Orleans Metropolitan	90.3	87.5	87.2	16.19	15.77	15.85
New Towers	90.6	88.3	89.0	18.23	17.89	18.00
Class A	91.1	91.6	89.9	19.32	19.34	19.24
Class B	90.8	83.4	84.5	15.73	16.47	16.42
Class C	89.4	90.1	88.4	15.06	15.97	15.84

Source: UNO Institute for Economic Development & Real Estate Research, *Metropolitan New Orleans Real Estate Market Analysis, Light at the End of the Tunnel Edition*, Vol. 43, June 2011.

Summary of Office Occupancy and Rent by Geographic Sector New Orleans Metropolitan Real Estate Market Area Fall 2008 to Fall 2010

Sector	Occupancy (%)			Average Rent PSF ($)		
	Fall 2008	Fall 2009	Fall 2010	Fall 2008	Fall 2009	Fall 2010
Orleans Parish	89.8	87.5	87.6	15.97	15.76	16.20
Central Business District	89.7	87.7	87.9	15.57	15.68	16.10
Jefferson Parish	93.5	88.0	87.7	16.94	17.14	17.52
Metairie	92.0	86.9	87.7	18.92	18.95	19.12
St. Charles Parish	93.7	89.6	90.9	16.63	16.50	16.13
St. Tammany Parish	87.8	85.1	81.1	16.79	17.59	14.89
St. Bernard Parish	19.8	100.0	97.3	-	-	-
Total New Orleans Metropolitan	90.3	87.5	87.2	16.19	15.77	15.85

Source: UNO Institute for Economic Development & Real Estate Research, *Metropolitan New Orleans Real Estate Market Analysis, Light at the End of the Tunnel Edition*, Vol. 43, June 2011.

Warehouse and Industrial

The market for warehouse/industrial space in the New Orleans region is generally impacted by the movement and storage of materials and cargo which flows through the Port of New Orleans as well as transshipments by truck and the region's numerous rail service providers. These activities generate short, intermediate and long term needs for warehouse space or various types, sizes and grades located throughout the region. Emergencies such as Katrina and the BP oil spill have the effect of creating immediate short term needs for space to store materials and equipment as resources are marshaled to address a specific event's impacts and consequences. Aberrations in commodities traded on world markets can also create short and intermediate needs for space as has been the case most recently with steel. The net effect for the New Orleans region of these ebbs and flows over the past 12 to 18 months has been a market characterized by a growing inventory of vacant square footage in blocks of space under 50,000 square feet and somewhat limited availability of buildings with 100,000+ SF ready for use.

The dichotomy is relatively easy to understand. The rising inventory of vacant space is directly attributable to a relatively weak local economy and the prospects for future weakness on the horizon. These weakening forces include the impending shrinkage and ultimate closure of Avondale Shipyards producing a loss of about 5,000 direct jobs and a trickle-down effect that could easily cost the region another 5,000 to 10,000 jobs over the next three years. Embedded within these direct job losses are closures or shrinkages of hundreds or small service and support firms related directly to the fortunes of Avondale and whatever replaces it, if anything. Many of these firms represent critical components of the demand for smaller increments of warehouse space which makes up a significant portion of the regions standing inventory.

Louisiana Economic Development along with regional (GNO, Inc.) and local (JEDCO) economic development agencies are aggressively marketing the Avondale site, which has several miles of deep water access to the Mississippi River, on a national and global scale. The targets are potential users for either the entire site or major portions thereof. To date, there is interest but no firm commitments. In the current national and global economic environment, this is a difficult sell at best.

These same economic clouds, despite faint signs of recovery, are also creating uncertainty regarding the future of world trade and thus port activity that is crucially linked to the New Orleans area warehouse/industrial space market. Although cargo volume through the Port of New Orleans has rebounded from its 2007 and 2008 dips, it lags behind its average of nearly 31 to 33 million short tons achieved regularly through the first half of the last decade and remains stuck at below 31 million tons annually through the end of 2010.The Port's struggles ripple through the warehouse/industrial space market at multiple levels and impacts the demand for all categories and size of building.

Summary of Cargo Volume the Port of New Orleans
CY 2000 to CY 2010
(Short Tons Except for Container Cargo)

	Breakbulk	Container [1]	Bulk	Total [2]
CY 2000	8,895,755	3,339,523	26,791,066	**39,026,444**
CY 2001	5,975,169	2,889,078	24,731,776	**33,596,023**
CY 2002	6,778,829	2,846,355	24,314,216	**33,939,400**
CY 2003	4,885,661	3,051,062	21,894,179	**29,830,902**
CY 2004	7,213,841	3,166,277	21,052,393	**31,432,511**
CY 2005	5,208,118	2,565,879	17,438,589	**25,212,586**
CY 2006	7,035,237	2,345,214	20,060,153	**29,440,604**
CY 2007	4,291,006	3,121,022	19,960,460	**27,372,488**
CY 2008	3,035,085	2,953,432	20,292,978	**26,281,495**
CY 2009	2,583,069	3,089,271	21,349,943	**27,282,973**
CY 2010	2,258,685	3,796,548	24,257,835	**30,725,749**

Source: Port of New Orleans

Note 1: Container cargo is measured in twenty-foot equivalent units (TEU) and count both full and empty containers. Containers are either 20 or 40 feet.

Note 2: Total contains "Non-Board General Cargo," which is not itemized here. Non-Board General Cargo is handled primarily by the St. Bernard Harbor and Terminal Authority, a state entity separate from the Port of New Orleans but located wholly within the port's jurisdiction.

The major exception to this trend is the relative scarcity of storage space containing contiguous area of 100,000 square feet or more. This is basically related to three factors:

1) The storage of imported steel product using space on short term leases;

2) The damage inflicted by Katrina, particularly in Orleans Parish, on many buildings of this size category which has yet to be repaired; and

3) The generous and sometimes controversial state tax incentives offered to attract investments in the film, video and digital media sectors of the communications and entertainment industry.

The first is somewhat of an anomaly produced by favorable trade imbalances for those importing steel products from Asia and South America. This is a relatively short-lived phenomenon which has begun to unwind and is expected to return some larger blocks of space to inventory over the next 18 to 24 months.

The second is a matter of making capital investments to return generally older and somewhat functionally obsolete (i.e. low ceiling heights) buildings to inventory. Given the soft market demand and even "softer" inclination of lenders to commit to such projects, much of this space may never be returned to inventory or sold for land value. Redevelopment of such sites is a long term endeavor given the limited investment and debt capital and the ever present risks associated with environmental contamination and clean up.

Thirdly, film and digital media tax credits offered by the State of Louisiana have fueled the acquisition and adaptive reuse of once large industrial/warehouse buildings for use as sound stages and other production quality space. This included facilities in Elmwood in Jefferson Parish (the Nims Center Studio) as well as several in New Orleans such as Second Line Sound Stages and TM Motion Picture Equipment Rentals.

The other possible source of large space is vacated manufacturing facilities which might offer high ceilings, clear span work area. In traditional manufacturing environments, adaptive reuse of such space helps to fill voids more economically than building new buildings for some user categories.

New Orleans and its immediate region, however, is not a traditional hard goods producing manufacturing location. Although millions of tons of raw and intermediate goods flow through its ports annually, very little value-added manufacturing has been spawned to capture a portion of this economic development opportunity. The major exception to this is in petrochemicals processing and to a lesser degree shipbuilding and marine construction. In both instances, however, space occupied is company owned and buildings used in the processing and fabrication functions are not readily adaptable to "plain vanilla" warehouse/distribution space.

- Through the end of 2010, the inventory of available warehouse/industrial space in the New Orleans region rose to 6.69 million square feet (up 11.6% from 2009) and drove the average vacancy rate to about 12%.

- At the same time, asking rents, which are typically triple net basis, either held steady at their 2009 levels or edged down slightly in some areas.

- The Elmwood/Labarre sector in Jefferson Parish has both the largest inventory of space and the highest level of current availability. Availability in this area rose to just under 2.13 million square feet through the end of 2010 pushing average vacancy rates to 15% for warehouse/distribution space and 12% in service center buildings. Activity reported through the first quarter of 2011 shows available inventory continuing to rise, reaching 6.79 million square feet. This produced a net addition to vacant inventory of 62,510 square feet for the quarter.

- Sectors accounting for the largest additions to vacant inventory through 2011's first quarter are East New Orleans (84,776 square feet) and the Westbank (142,776 square feet).

- These, however, were offset by net absorption of 133,807 square feet in the CBD sector and 82,311 square feet in the St. Charles/St. John Parish area.

- Activity through 2011's second quarter has produced a net absorption of just under 500,000 square feet.

- The largest net absorptions of space occurred in Elmwood (298,116 square feet) and St. Charles Parish (87,620 square feet).

- The range of asking rents for service center space remained largely unchanged at $6.50 to $9.50 PSF while those for warehouse/distribution space edged down to $3.00 to $5.00 PSF as compared to $3.50 to $6.50 PSF in 2009.

- Vacancy rates averaging 10% were reported for each of the other sectors of the market through the end of 2010 with average asking rents slipping in most sectors by $0.25 to $1.00 PSF depending on location and building type.

- The only exception to this trend was the Westbank where asking rents were increased by $0.50 across the range bringing it to $2.50 to $4.50 PSF.

- In the N.O. East sector the range of average asking rents through the end of 2010 remained stable at $2.25 to $3.00 PSF.

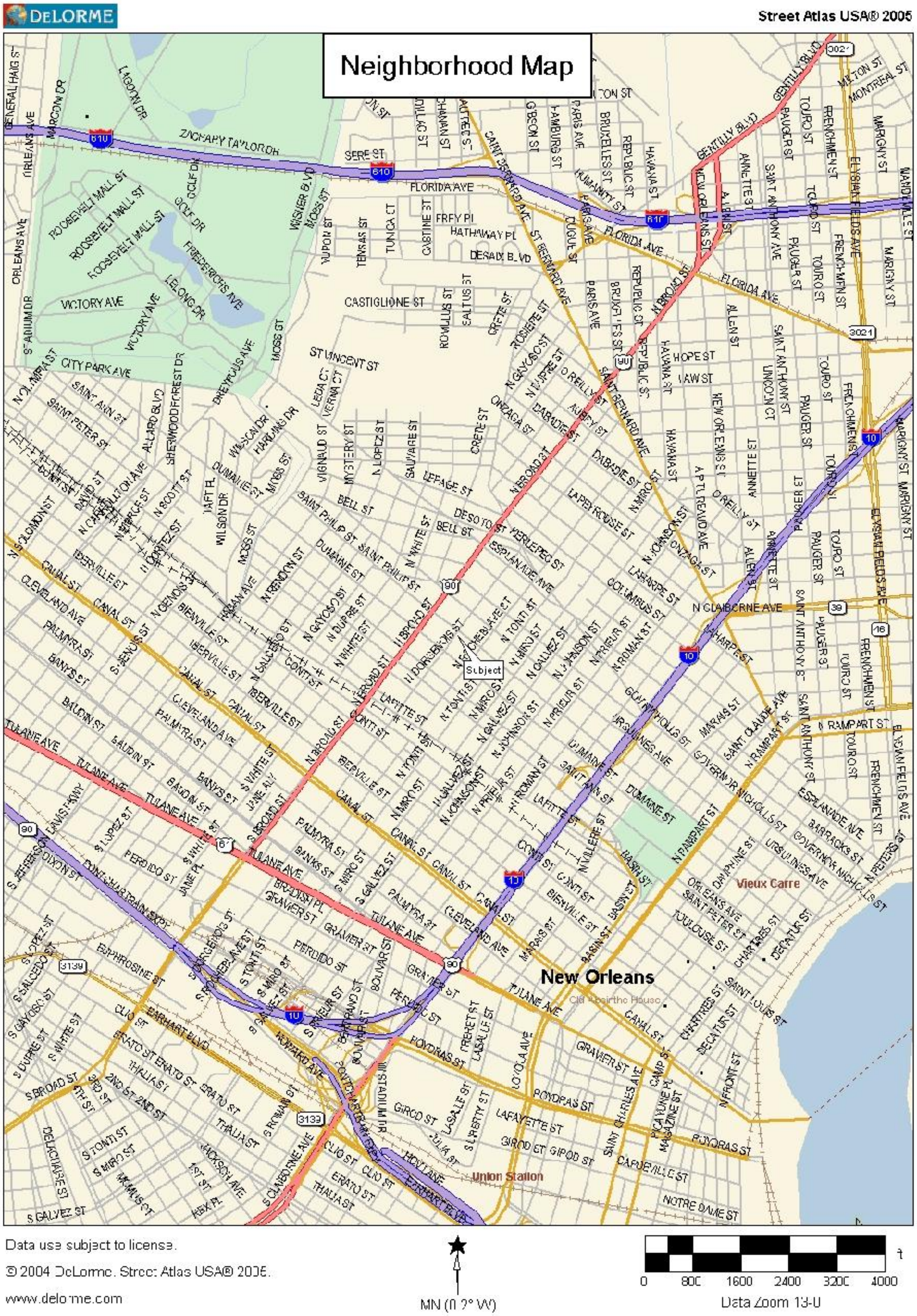
- Although Southshore locations such as Elmwood, Kenner, New Orleans and the Westbank remain important sectors of warehouse and industrial market activity, there is continuing and growing interest in locations along the I-12 corridor between Slidell and Baton Rouge. Such locations offer immediate access to north-bound interstate systems (I-55 and I-59) and provide higher elevations that mitigate the risk/threat of hurricane storm surge and flooding. Locations such as these provide greater assurance of business continuity and recovery following disruptive natural disasters such as Hurricane Katrina.

- While there is momentum shifting more warehousing and distribution space to the Northshore, there are several factors that, at least in the short run, could slow some of this activity. This would include: 1) the on-going financial crisis that has cooled lenders and investors to the warehouse sector where vacant inventories are on the rise; 2) the cost of vacant land in the I-12 corridor, particularly in St. Tammany Parish where there are relatively few suitably designed interchanges that offer convenient access to the corridor; and 3) regulatory restraints, particularly in St. Tammany Parish, that create a lengthy, challenging and potentially costly approval process.

Summary of Vacancy and Rental Rates
For Warehouse Space by Market Sector
2009 and 2010

	Rental Rates PSF				Vacancy Rates			
	2010		2009		2010		2009	
Area	Distribution	Service Center	Distribution	Service Center	Distribution	Service Center	Distribution	Service Center
St. Charles/St. John	$3.00 - $5.50	$6.50 - $10.50	$3.00 - $5.50	$6.50 - $10.00	10%	8%	10%	5%
Kenner	$3.00 - $5.50	NA	$3.00 - $5.50	NA	10%	NA	10%	NA
Elmwood/Laharre	$3.00 - $5.50	$6.50 - $9.00	$3.50 - $6.50	$6.50 - $9.00	15%	12%	15%	8%
New Orleans	$2.50 - $3.25	NA	$2.50 - $3.25	NA	NA	NA	NA	NA
N.O. East	$2.25 - $3.00	NA	$2.25 - $3.00	NA	10%	NA	NA	NA
Westbank	$2.50 - $4.50	NA	$2.50 - $4.50	NA	10%	NA	5%	NA

Source: Max J. Derbes, Inc., Mr. Tom Tripl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NEIGHBORHOOD DATA AND ANALYSIS

The term "neighborhood" is defined in the Dictionary of Real Estate Appraisal, 2nd Edition, published by the American Institute of Real Estate Appraisers, dated 1989, and located on page 207 as "a group of complementary land uses." The boundaries of a neighborhood can be identified by determining the area within which the four forces affect all properties in the same manner. A distinction can be drawn between a neighborhood and a district. A district is a type of neighborhood that is characterized by homogeneous land use. A residential neighborhood, for example, may contain single-family homes and commercial properties that provide services for local residents. Districts are commonly composed of apartments, commercial, or industrial properties. The four forces which create, modify, and destroy the value of real estate are: social trends, economic circumstances, governmental controls and regulations, and environmental conditions.

Location

The subject consists of a rectangularly shaped parcel of land located on the southwest corner of St. Philip and N. Dorgenois Streets. This location is one block south of N. Broad Street. It is also located eight blocks northeast of Canal Street. This area is generally known as Treme/Mid-City. This area is basically located in the center of New Orleans with Lakeview to the north, Uptown to the south, the French Quarter to the east, and Jefferson Parish to the west. The general neighborhood boundaries are I-610 to the north, City Park Avenue to the west, Tulane/Pontchartrain Expressway to the south, and Elysian Fields Avenue to the east. The area is characterized by a fairly cohesive mixture of residential and support commercial along major thoroughfares. Major thoroughfares in the area include Orleans Avenue, Carrollton Avenue, Broad Street, Esplanade Avenue, St. Bernard Avenue and Gentilly Blvd. Support commercial is generally located along these older thoroughfares with mixed light industrial, multi-family and single family residential housing in a cohesive nature throughout most of the area.

The subject's immediate area is predominately developed with single family residential with some duplexes, four-plexes and small commercial buildings. Uses within the immediate area of the subject are characterized by quality established lower/middle income residential neighborhoods centered around N. Broad Street. N. Broad Street is characterized by older neighborhood commercial uses ranging from small strip centers to freestanding retail facilities, etc.

Accessibility

The subject area is considered to have good accessibility to most sections of metropolitan New Orleans via St. Philip and N. Dorgenois Streets. Access to the CBD is considered good. Access to Jefferson Parish and the Elmwood Industrial Park area (the major light industrial/warehousing section of New Orleans) is readily obtained via Broad Street to the Interstate. St. Philip and N. Dorgenois Streets are minor, two lane neighborhood thoroughfares. N. Broad Street (US 90) is ±1 block north of the subject. This is a six lane, median divided east/west thoroughfare that basically runs through middle of the city. Canal

Street (±8 blocks southwest of the subject) is in the heart of the subject neighborhood. Canal Street is a six lane, divided thoroughfare which runs from the Mississippi River to City Park Avenue. Therefore, from a metropolitan and Mid-City perspective, the subject property is considered to have good accessibility. Generally speaking, access to the subject from most sections of East Jefferson and most of New Orleans is considered good via the Interstate/Pontchartrain Expressway system. From a neighborhood perspective, the subject's location is considered to be good.

Predominent Land Uses

The subject's immediate area is predominately developed with single family residential with some duplexes, four-plexes and small commercial buildings. Uses within the immediate area of the subject are characterized by quality established lower/middle income residential neighborhoods centered around N. Broad Street. N. Broad Street is characterized by older neighborhood commercial uses ranging from small strip centers to freestanding retail facilities, etc.

The area sustained substantial flooding and other storm damage from Hurricane Katrina. Within the immediate area is the former Lafitte Housing Project which has been partially redeveloped. Also worth noting is the planned redevelopment of a former grocery store facility located at 300 N. Broad Street. A freestanding Dollar General Store was completed at 230 N. Broad Street ±2 years ago.

Southwest of the subject in Mid City area is the planned VA and LSU teaching hospitals. The boundaries for this development are between the areas between S. Rocheblave, Claiborne Avenue, Canal Street, and Tulane Avenue. Demolition for this development began ±1.5 years ago. This facility will likely have a major positive impact on the Mid-City area.

Supply and Demand

Demand for real estate in the subject's area (prior to Katrina) was good. Mid City (particularly surrounding the areas of Carrollton) was in a revitalization stage. Most of the new commercial development was taking place in this area. Some of this development had even spilled over to Tulane Avenue. However, for the most part, Canal Street anchored the new development in Mid City. After Katrina, Canal Street appears to have been slow to recover (as is with most of the city). Redevelopment has been occurring slowly along Canal Street. This includes the intersections of Broad Street, Bienville Street, Carrollton Avenue, and S. Jeff Davis. Some new development has been occurring over the last 4 years. Retail development has picked up and investors are beginning to return to this section of the city. Tulane Avenue has even begun to redevelop itself with mixed income housing projects. Therefore, supply and demand for real estate in the subject neighborhood is considered average as of the date of the appraisal. Please note that the current studies and acquisitions of the area in Mid City associated with the VA and LSU teaching hospitals has been ongoing. With this proposed development, Mid City could improve significantly. Generally, the areas between S. Rocheblave, Claiborne Avenue, Canal Street, and Tulane Avenue are the planned areas of the new LSU/VA facility. At this moment in time, the VA Hospital appears to be on track for development with demolition already taking place. Therefore, supply and demand for real estate in the subject neighborhood is considered to be average with some redevelopment occurring outside the moratorium areas. Still, there are buildings in the subject's area that are still vacant and in disrepair.

According to the New Orleans Metropolitan Real Estate Market Analysis, Volume 44 (March 2012), published by the University of New Orleans, the average housing price for the subject's area (MLS Area 68) was $207,932, an increase from the previous year. There is still a glut regarding single family housing throughout New Orleans and the surrounding metropolitan area. Multi-Family apartments generally have occupancies over 90% with new developments commanding most of the attention from renters. Office occupancy for the Central City/Mid City portion of New Orleans has averaged about 86% over the past year with retail occupancies over 90%.

Summary

The subject property is located in the Treme/Mid-City area of New Orleans. The area is slowly rebuilding following Hurricane Katrina. Continued redevelopment is anticipated. With the new VA and LSU teaching hospital starting to materialize, the whole Mid City area could enter into a new revitalized state. Therefore, the future outlook for this section of the subject's area is considered average to good with property values remaining stable.

SITE DATA AND ANALYSIS

Location

The subject consists of a rectangularly shaped parcel of land located on the southwest corner of St. Philip and N. Dorgenois Streets. St. Philip and N. Dorgenois Streets are macadam paved thoroughfares with rolled curbs, gutters, subsurface drainage and overhead streetlights. These streets are generally in average condition. N. Dorgenois Street is a one way thoroughfare (southbound to traffic).

Accessibility and Visibility

Accessibility and visibility of the subject site is considered to be good. The neighborhood enjoys good accessibility from all parts of the city as N. Broad Street (1 block north of the subject) provides quality access to the CBD and I-160. N. Dorgenois Streets is a north/south thoroughfare that basically runs from I-10 to City Park Avenue. St. Philip is an east/west thoroughfare that basically runs from City Park Avenue through the French Quarter. The visibility of the subject along the fronting streets is considered good.

Area and Dimensions

The subject consists of a rectangularly shaped parcel of land located on the southwest corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. It is legally defined as Lot 13, Square 322, Second District, Orleans Parish, LA. The site measures 59′ front on St. Philip, same measurement in the rear, by a depth and front along N. Dorgenois Street of 111′ between equal and parallel lines. According to the appraisers' calculations, the site contains a total of ±6,549 SF.

Physical Characteristics

Upon inspection, the appraisers found the subject to be improved with a vacant commercial building in overall poor condition. The site is rectangularly shaped and ±6″ above street grade. The site has overall good utility (corner orientation) All public utilities are believed to be available to the site, including electricity and natural gas, telephone, sewerage and water.

According to FEMA (Community Panel #2252030095E, dated 3/1/84), the subject site is located in Flood Zone "A3", which is classified as a flood hazard area. Flood zones are reported for <u>information purposes only</u>. Apparently, the subject suffered flooding from Hurricane Katrina. A subsoil study was provided to the appraisers. Evidence of soil problems were not noted. This report <u>assumes</u> that foundation and soil problems do not exist.

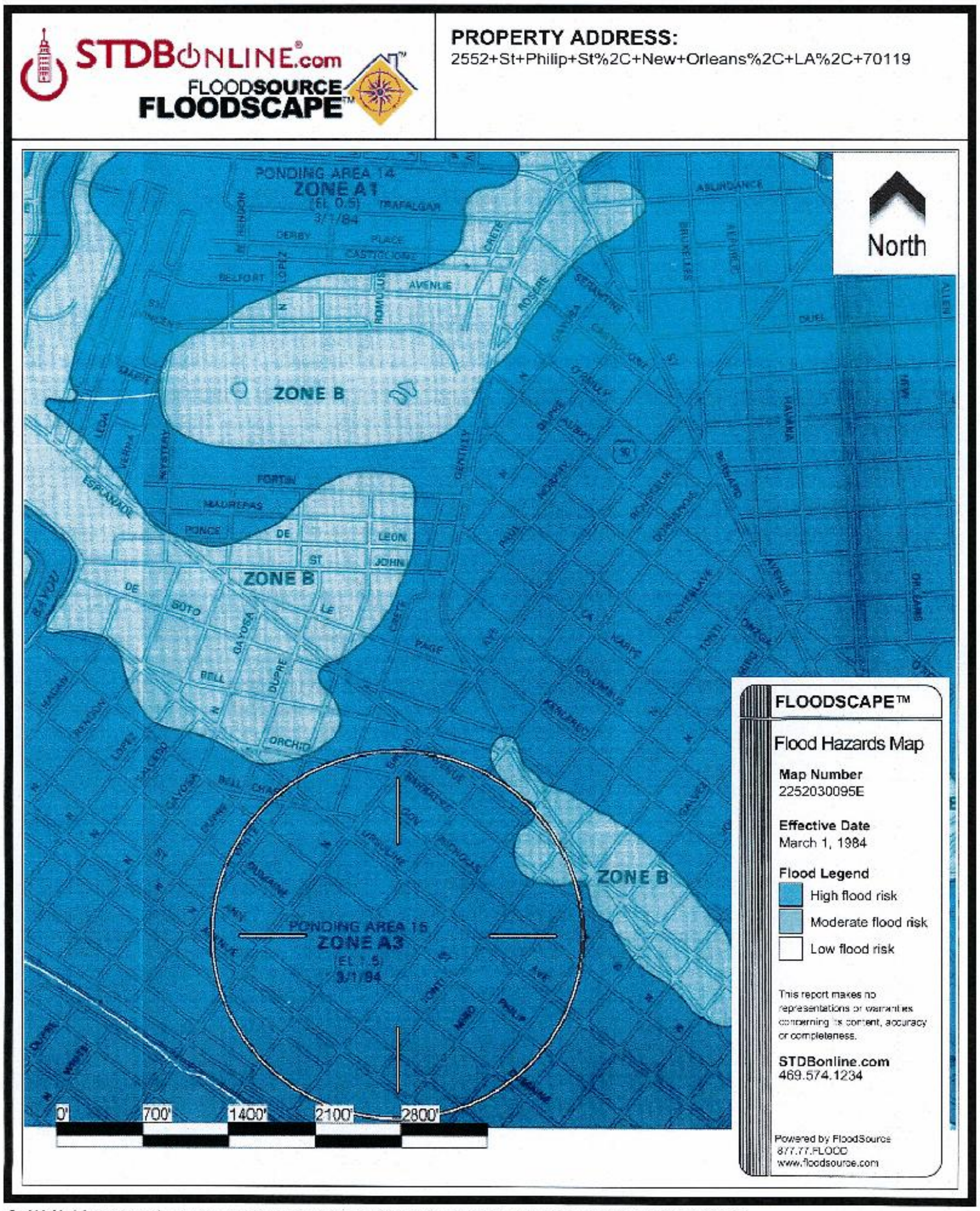
Easements, Encroachments, and Adverse Conditions

The appraisers were not supplied with a survey of the subject site. Upon inspection, the appraisers noted power poles and overhead power lines along the St. Philip and N. Dorgenois street sides of the site. The appraisers did not notice any other easements, encroachments or adverse conditions that would be considered detrimental to the subject property.

The surrounding land use history of the adjacent properties is unknown; however, all adjacent properties are developed. This report assumes that the Fee Simple Interest of the subject property will not be adversely impacted by any type of past or present liability from adjoining property parcels (see Assumptions and Limiting Conditions). The environmental history of the subject property is not really known, as well as the history of the surrounding sites. Environmental hazards were not noted nor suspected. The appraisers are not experts in this field. Experts should be consulted, if desired.

Summary

At the time of inspection, the subject site was improved with a vacant, shell building and related site improvements. No other known hazards, adverse conditions, restrictions, easements, servitudes, or other encumbrances are known to exist which would adversely affect the value of the subject that have not already been discussed.



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HISTORY OF THE SUBJECT PROPERTY

The purpose of this section of the report is to present data that may be pertinent to the valuation of the subject property. This analysis should not be viewed as a title abstract. The appraisers assumes a clear and marketable title. As per current federal regulations, the appraisers researched courthouse documents for any transaction involving the subject property for at least three years prior to the date of the appraisal.

The subject property is presently owned by The City of New Orleans. To the appraisers' knowledge, no transactions involving the subject property have taken place within the past three years.

ZONING DATA AND ANALYSIS

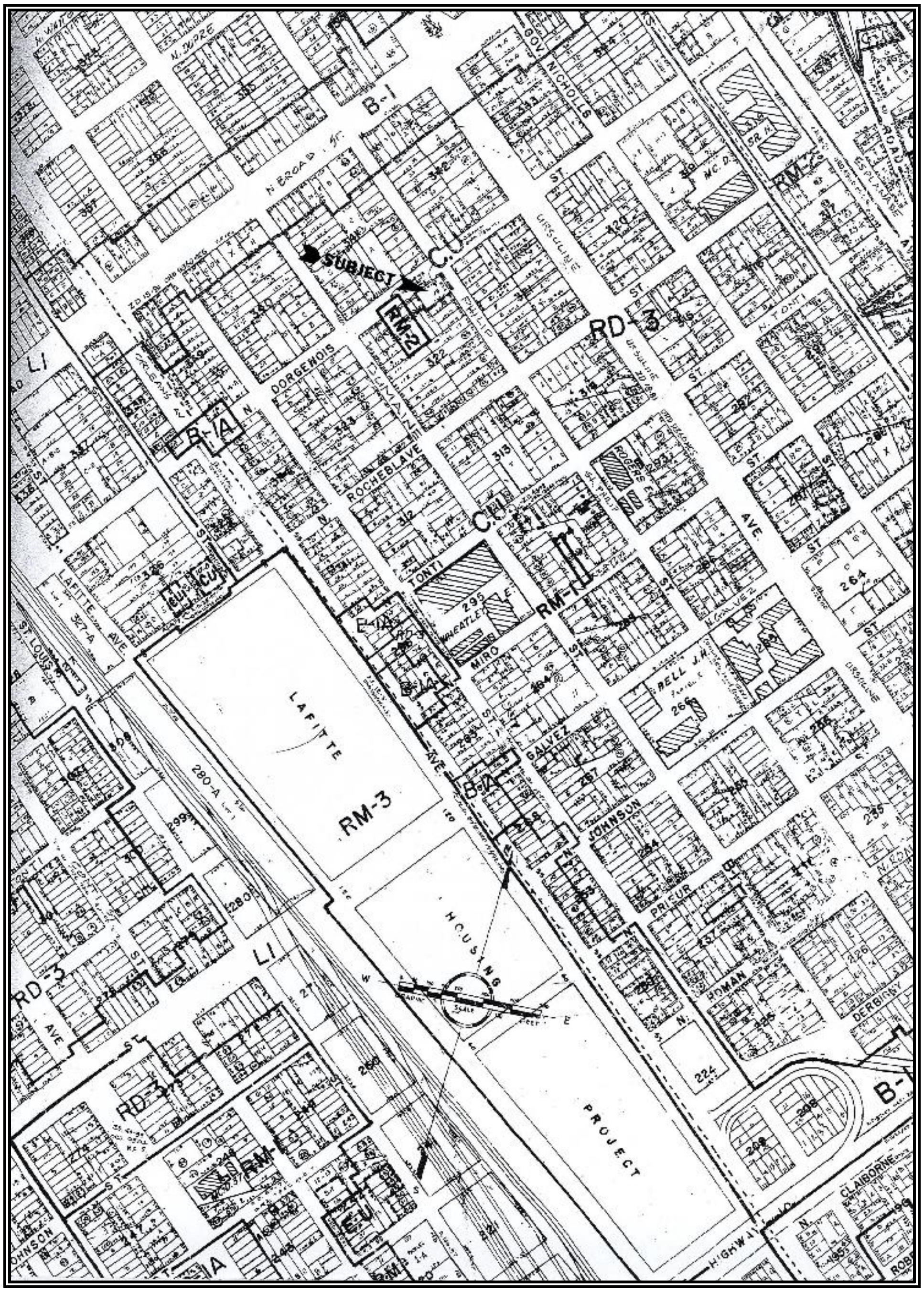
Zoning is a legal restriction on the use of the site. The highest and best use of the property must generally conform to the uses permitted within the zoning ordinances. The reader is asked to refer to the Zoning Map which appears at the end of this section.

According to the most recent Orleans Parish zoning maps, the subject site is located in a "RD-3, Two Family Residential District". This district is intended to provide for two family or townhouse development on smaller lots in older, more densely populated sections of the city, as well as in the outlying areas of the city. The district provides for such development to be mixed with single family dwellings; also provided for are uses such as churches, recreational facilities and accessory uses as may be necessary and compatible with residential surroundings.

Permitted uses include any use authorized in the "RS-1, Single Family Residential District", two family dwellings, towhouses, nursing homes, child care facilities, hospitals, etc. To the appraisers' knowledge, studios are legal uses under this zoning classification. The subject contains no off street parking. This is an older property which pre-dates zoning laws. Therefore, the subject is considered to be a legal non-conforming use.

The subject also appears to have a "Conditional Use" overlay permitting the community center that previously occupied the building. Information given to the appraisers, via the Planning Commission indicates that this overlay stays intact with the property including property transactions.

Zoning Map



TAX AND ASSESSMENT DATA

Real Estate assessment and tax policy in Louisiana was established by the revised constitution that became effective in 1978. As per the state Constitution, the amount of real estate tax is determined by multiplying the property's "Market Value" by the Assessment Ratio times the appropriate Millage Rate. In theory, the assessment is to be based on market value. In practice, most properties are assessed at some percentage of market value. In Jefferson Parish taxes are due and payable in arrears. In Orleans Parish taxes are due and payable in advance. Assessors are elected officials and the whole taxation process is still political.

The subject's 2012 assessment and taxes are listed below.

Bill #	Land	Improv.	Total	Tax Liability
207109033	$4,040	$97,000	$101,040	Exempt

The land is assessed for $4,040 and the improvements $97,000 for a total assessment is $101,040. The total market value of the subject via the Assessor is $1,010,400 ($101,040/10%). According to courthouse records, the subject is exempt from all property taxes.

DESCRIPTION OF THE IMPROVEMENTS

The subject consists of an rectangularly shaped site situated on the southwest corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. The site contains ±6,549 SF and is improved with a ±6,291 SF, vacant commercial building. The facility was originally constructed in 1902 as a police station. Later, the building was utilized as a community center. The property has been vacant since Hurricane Katrina and is in shell, “unrenovated” condition. The building sustained flooding from Hurricane Katrina and is in poor condition.

Following is a breakdown of the building measurements. Building sizes are based on the appraisers’ physical measurements.

Land Area	6,549 SF
Building Area	6,291 SF[1]
Land to Building Ratio:	1.04:1.00

[1] Does not consider attic area

Following is a brief description of the subject building based on the appraisers’ inspection of the subject property.

EXTERIOR

Foundation: The building has a raised foundation. The building is handicapped accessible. The condition of the subject’s foundation/structural items are unknown.

Structural System: The building has pre-engineered steel/wood frame structural systems.

Walls: The building contains brick veneer/concrete block/stucco walls.

Roof: The building has a gable style, asphalt shingle roof. The roof appeared to be in poor condition in need of replacement.

Doors/Windows: The facility contains multiple wood and metal pedestrian doors. Windows are mostly glass in wood frames. There are also some fixed plate glass areas in metal frames.

MECHANICAL EQUIPMENT

HVAC: Heating and cooling appears supplied by package HVAC systems not known to be in working order.

Electrical: There are recessed and suspended florescent fixtures. There is also emergency lighting. The condition of the electrical systems is unknown.

Plumbing: The condition of the plumbing system is unknown.

INTERIOR IMPROVEMENTS

Walls: Interior walls are exposed brick and painted drywall/plaster walls. Portions of the drywall were apparently removed after being flooded by Hurricane Katrina. Several areas appear to contain mold.

Ceilings: Ceilings are acoustic tile, painted drywalls/plaster and corrigated metal. There are several damaged ceiling areas which also appear to contain mold. The ceiling height ranges from ±10′ to 12′.

Doors: Doors appear to mainly be solid wood within wood frames.

Flooring: Flooring is ceramic/vinyl tile, wood and concrete with wood/vinyl baseboards. Several floor areas have collapsed.

Stairwell: The stairwell leading to the second floor of the building has partially collapsed. Therefore, the appraisers inspected the subject's first floor only.

SUMMARY

The subject improvements consist of a two story, commercial building ±6,291 SF/GBA. The building includes quality architectural features. Basically, the subject is a building shell which will need complete renovation before being placed into commerce.

The three classifications of depreciation are physical deterioration, functional obsolescence and external obsolescence. Both physical deterioration and functional obsolescence may be curable or incurable. The determination is based upon economic, not physical, considerations.

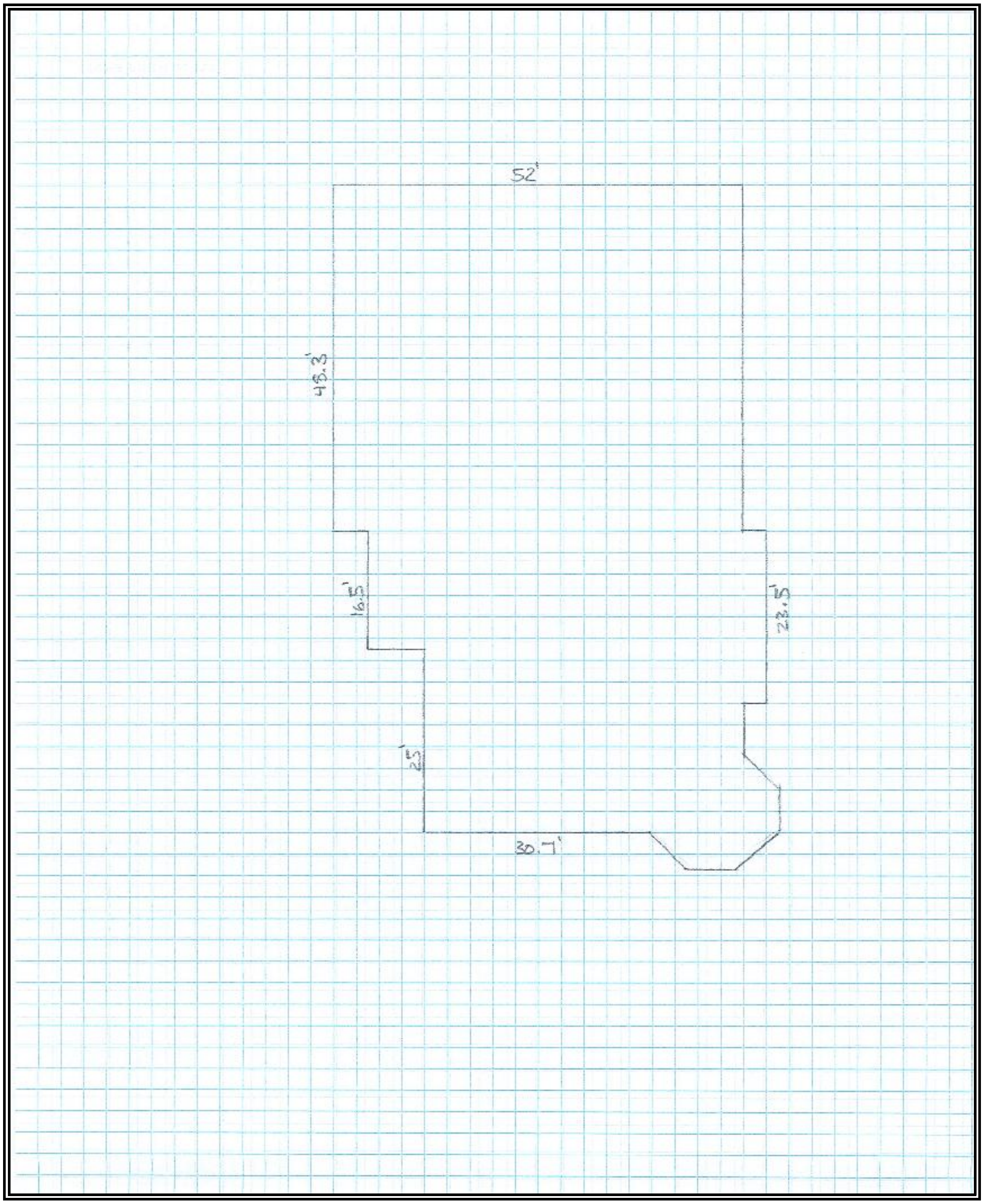
Physical deterioration is that loss in value due to normal wear and tear; obsolescence is that loss in value due to some deficiency in style, utility, plan, layout, or the like, which is within the subject property lines; economic obsolescence is caused by external influences which affect the value of the appraised property. In the immediate case, the appraisers' recognized only minor items of physical depreciation. They are discussed as follows.

Physical deterioration can be measured by using the age/life method, whereby effective age is compared with the total physical life of the improvements. As previously indicated, the subject improvements were constructed in 1902. The difficulty of appraising a property of this age should be recognized. As stated above, the subject is in unrenovated “shell” condition requiring complete renovation.

Functional obsolescence is that loss in value due to some form of depreciation brought about by some deficiency in style, plan, layout or diminished utility within the subject property lines. The improvements were originally constructed in 1902 and require total renovation.

Economic obsolescence reflects a loss in value brought about by some adverse environmental factors that result in some degree of market rejection or diminished utility of the subject property. Economic trends within historic areas are incorporated into the comparable sales and rental information. The Cost Approach is not germane to this particular assignment due to the speculative nature of the porperty. Due to the age of the subject property, estimating deterioration is almost impossible.

Building Plan



SUBJECT PHOTOGRAPHS

View of the subject property from across St. Philip Street, looking southwest

View of the subject property from across N. Dorgenois Street, looking southeast

SUBJECT PHOTOGRAPHS (continued)

Interior view of first floor area

Interior view of first floor area

Interior view of first floor area

Interior view of stairwell

Street scene of St. Philip Street looking southeast

Street scene of N. Dorgenois Street looking southwest

HIGHEST AND BEST USE

The Highest and Best Use is defined in the is defined in *The Dictionary of Real Estate Appraisal*, 4th edition, as: "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.."

Highest and Best Use is determined by the competitive forces within the market in which the subject property is situated. Size, location, neighborhood characteristics and trend of development are all pertinent to the highest and best use of the site. Legal use of the site (dictated by zoning laws, deed restrictions, etc.) is of paramount importance in controlling the highest and best use of any real property development. Zoning ordinances do not solely dictate the highest and best use of the site. The zoning ordinances could permit a use which is more intense (or less intense) than what would reasonably be expected for the subject property given the parameters of the surrounding marketplace.

It is often fairly simple to determine the legal and physical adaptability of any site under appraisement. However, determining the economic feasibility (demand for a proposed use) and the most profitable use is often difficult to ascertain and requires substantial expertise.

When determining the highest and best use of an appraised property, typically two aspects of the highest and best use theory are discussed. First, one determines the value of the subject site "as if vacant and ready for development". If the appraised property is presently improved, then a discussion as to the highest and best use of the site "as improved" is required. This discussion should detail all aspects of the contributory value of the improvements and how they would relate to the subject site.

There are four major tests that appraisers utilize in estimating the highest and best use of vacant or improved sites. They are as follows:

1. The use must be physically possible on the appraised site. The physical characteristics of the subject site (such as location, drainage, access, neighborhood land use patterns, etc.) must be thoroughly reviewed. There are many physical factors that can limit the highest and best use of this site;

2. The use must be legally permissible on the site. Zoning ordinances, private restrictions (deed covenants, etc.), building codes, and easements may all restrict the potential use of the subject site;

3. The use must be financially feasible. The ramifications of market demand factors must be discussed for any proposed use on the subject site;

4. Lastly, the use must be profitable and maximize productivity. The income obtainable from the use or the ownership amenity must be sufficient to justify its cost and yield a greater return than other potential development.

In estimating the highest and best use of the site ("as if vacant and ready for development" or, "as if improved"), the appraisers have first carefully studied the existing land use patterns and trends for the area.

Highest and Best Use Of the Subject Site "As If Vacant"

There are two compelling reasons to analyze the highest and best use of the subject site as if it were vacant. First, this analysis will define the criteria for selection of comparable sales to be used in the valuation of the site. Second, if the existing improvements are different from the highest and best use of the site as if vacant, this analysis forms the basis for functional or external obsolescence. All of the above tests will be considered in determining the highest and best use of the site "as if vacant". The appraisers considered very carefully a number of factors in determining the subject's Highest and Best Use:

1. Legal use of the subject site under zoning classification "RD-3, Two Family Residential District";

2. Location of the subject site in relation to existing land use patterns along St. Philip and N. Dorgenois Streets;

3. Accessibility and visibility of the site;

4. Existing occupancy levels for the alternative uses found within the immediate area of the subject;

5. Current commercial demand and development within the area; and

6. An analysis of the overall neighborhood composure and use patterns.

The preceding criteria determines the most probable and best use of the subject properties "as if vacant". The four tests of the Highest and Best Use may be applied to the subject property. The first test under this analysis is the physical possibility of development. The physical characteristics of the sites include their size, shape, access, topography, soil and subsoil conditions, and all other physical considerations. In addition, the availability and capacity of public utilities must be considered. As previously discussed, the subject consists of a rectangularly shaped parcel located on the corner of St. Philip and N. Dorgenois Streets in New Orleans, LA. The parcel contains 6,549 SF. From a physical perspective, the subject site could be developed with any number of uses allowed by zoning. The site has good utility (corner orientation). Therefore, numerous physical uses (small scale) would be applicable to the subject site.

The second test under the Highest and Best Use Analysis for the site's development is that of the property's legally permissible uses. All governmental authorities that have jurisdiction over the subject site must be considered. These include zoning ordinances, title restrictions, flood zoning designations, construction codes, etc.

The RD-3 (Two Family Residential District) zoning classification allows for numerous primarily residential or institutional (schools, churches, etc) uses. Generally, the subject's immediate area is developed with residential uses. Considering the surrounding land use patterns and location of the subject property, the appraisers consider the site suitable for development with any number of residential or institutional uses commensurate with the surrounding land use patterns in the neighborhood. Therefore, from a physical and legal perspective, the site is considered suitable for a number of residential or institutional uses.

The third test in this analysis questions the property's financial feasibility. Under the zoning classification, potential development of the site from a financial perspective into some residential or institutional uses is considered feasible. Generally, the appraisers feel that some type of residential or institutional development is likely for the site.

The fourth test is the maximization of productivity of the proposed use. The appraisers have generally discussed this with regard to what physical, legally permissible use, and financially feasible use would maximize productivity. Demand for most residential uses is low with mostly subsisized developments having been developed. Limited development has taken place in the subject's generaly area. It is the appraisers' opinion that if the subject site was placed on the open market, immediate acquisition would take place by an owner/user contemplating development of a legal use under current zoning guidelines or a speculator may acquire such for future development.

Highest and Best Use as Improved

The Highest and Best Use of the existing improvements can be determined by utilizing the "marginal dollar" concept. This concept suggests that the improvements on the subject site are the property's Highest and Best Use as long as the existing improvements contribute at least one additional dollar of value over the land value of the subject site as if unimproved. This type of analysis recognizes that most improvements should not be demolished and replaced, even though they may not be the highest and best use of the site as if vacant. The existing use should continue unless and until land value in its highest and best use, less demolition cost and profit, exceeds the value of the property in its existing use.

The subject property consists of a two story commercial building located on the corner of St. Philip and N. Dorgenois Streets. The building is in poor condition and would require renovation before being placed into commerce. The appraisers envision redevelopment into a residential or institutional use. Therefore, the subject improvements are considered to contribute to the market value of the site over and above that of the land (as improved) and thus constitutes the Highest and Best Use of the subject property as improved.

ESTIMATE OF SITE VALUE BY THE SALES COMPARISON APPROACH

There are six recognized techniques to estimate the value of land. The appropriateness of each is dependent upon the specific site and the data available. These six techniques are briefly described below.

1. The Sales Comparison Approach--in this technique sales of parcels of land similar to the subject site are analyzed, compared and adjusted to provide a value indication for the land being appraised. By analyzing market transactions the appraiser can determine the applicable units of comparison and elements of comparison. For example, a site may be valued by the front foot, the square foot, the square yard, the acre or other unit used by the market. Elements of comparison are the characteristics of land that cause the prices paid to vary. Examples of elements of comparison are the site's size, shape, frontage, topography, and location. The sales comparison technique is the most common method of valuing land and is the preferred method when comparable sales are available.

2. Allocation--this technique is based on the premise that there is a normal or typical ratio of land value to property value for specific categories of real estate in specific locations. The allocation method does not produce conclusive value indications, but it can be used to establish land value when the number of vacant land sales is inadequate.

3. Extraction--this technique is a variant of the allocation method. The land value is extracted from the sale price of an improved property by deducting the value contribution of the improvements. The value contribution of improvements can be estimated from their depreciated costs and, in some cases, paired sales.

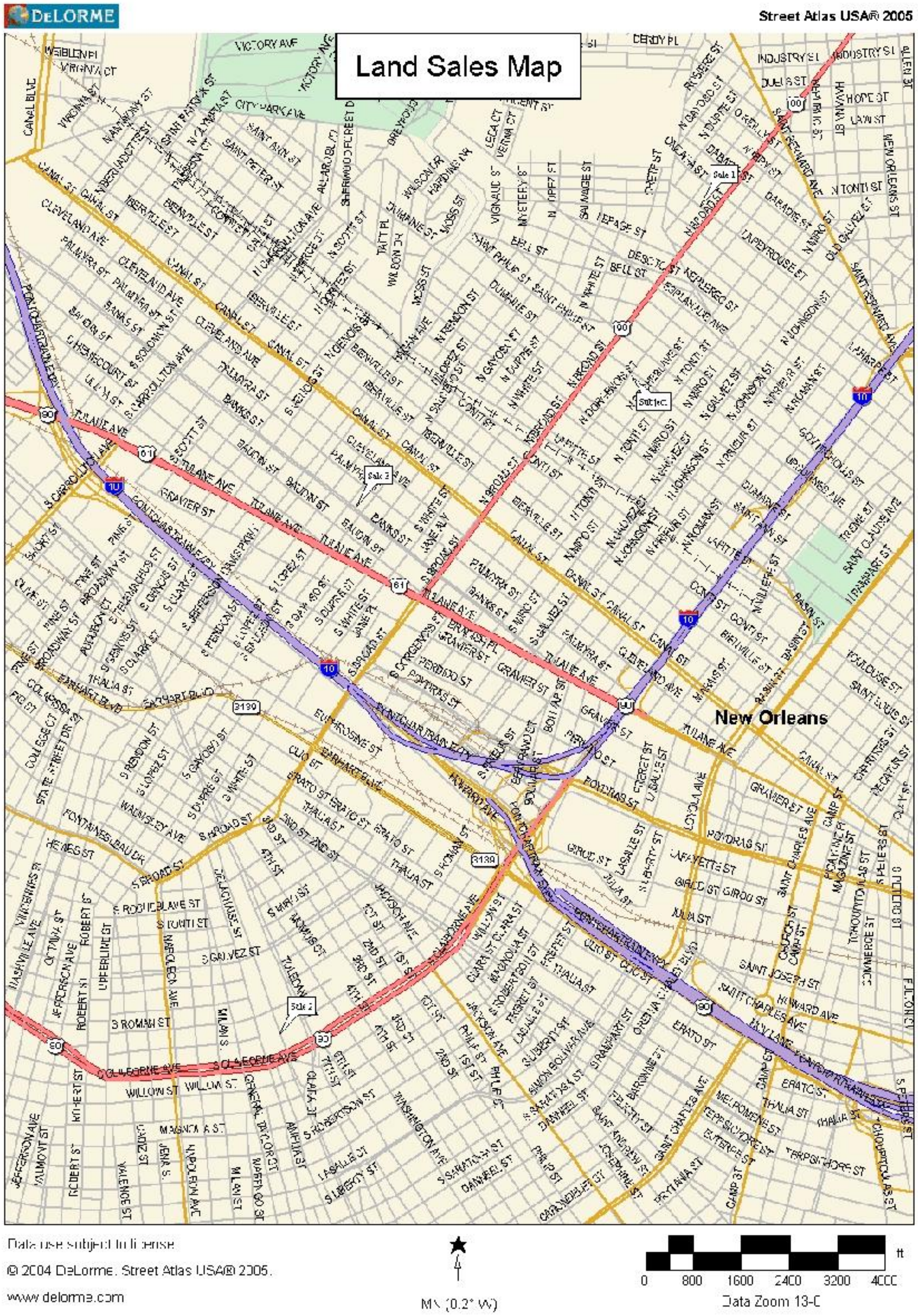
4. Subdivision Development--this technique is appropriate when subdivision and development represent the highest and best use of the subject parcel of land. In this technique the number of potential sites is determined, the timing and amount of income flows from site sales and the expenses associated with these sales is estimated, and the resulting cash flows are discounted into a present value estimate.

5. Land Residual--this technique is applicable when the building value is known or can be accurately estimated, when stabilized annual net operating income to the property is known or can be accurately estimated, and when both building and land capitalization rates can be extracted from the market. The technique involves allocating the net operating income between the building and land components and capitalizing the income attributable to the land by a land capitalization rate. This technique may be most useful in testing the feasibility of alternate uses of a particular site.

6. Ground Rent Capitalization--in this technique ground rents are capitalized at a market derived land capitalization rate to indicate the market value of a site. This procedure is useful when an analysis of comparable sales of leased land indicate a range of rents and capitalization rates.

In the case of the subject property adequate market transactions have occurred to rely solely on the sales comparison approach. This approach was selected as it most directly reflects the actions and motivations of buyers and sellers in this market and because of the quality and quantity of the data available to apply this technique.

The location of the subject property and the comparable sales is depicted on the following Comparable Land Sales Map.


DELORME
Street Atlas USA® 2005
Land Sales Map
New Orleans
Subject
Sale 1
Sale 2
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COMPARABLE LAND SALE NO. 1

LOCATION:	2638 Lapeyrouse Street, New Orleans, LA
DATE:	February 17, 2012
RECORDATION:	NA# 2012-07166
VENDOR:	Youth Restoration, Inc, represented by Bonnie J. Klein
VENDEE:	Admir Della Libera
SALE PRICE:	$18,500, cash
LEGAL DESCRIPTION:	Lot 26, Square 1517, Third District, Orleans Parish, LA
DIMENSIONS:	27.3' x 105.3'
LAND AREA:	2,875 SF
ZONING:	RD-2, Two Family Residential District
COMMENTS:	This is the sale of a rectangularly shaped parcel of land located on corner of Lapeyrouse and Paul Morphy Streets. The parcel was vacant and cleared at the time of sale. The vendee intends to develop the site with a future residential use.
UNIT PRICE:	$6.43 PSF
VERIFICATION:	Courthouse records and listing agent

COMPARABLE LAND SALE NO. 2

LOCATION:	3133 Louisiana Parkway, New Orleans, LA
DATE:	February 18, 2011
RECORDATION:	NA# 2011-07341
VENDOR:	DMR Builders, LLC, represented by David Richard
VENDEE:	Vicky Singh Anand
SALE PRICE:	$24,000, cash
LEGAL DESCRIPTION:	Lot 21, Block A, Sixth District, Orleans Parish, LA
DIMENSIONS:	45'/44.99′ x 111.19'/112.56′
LAND AREA:	±5,034 SF
ZONING:	RD-2, Two Family Residential District
COMMENTS:	This is the sale of a rectangularly shaped, interior parcel of land located on Louisiana Avenue Parkway, just north of Claiborne Avenue. The parcel was vacant and cleared at the time of sale. The vendee intends to develop the site with a residential use.
UNIT PRICE:	$4.77 PSF
VERIFICATION:	Courthouse records and listing agent

COMPARABLE LAND SALE NO. 3

LOCATION:	3619-23 Banks Street, New Orleans, LA
DATE:	June 15, 2011
RECORDATION:	NA# 2011-21748
VENDOR:	Successions of Eugene P. Byrne and Claudia Yochim Bryne
VENDEE:	Shawn Sanne
SALE PRICE:	$100,000, cash
LEGAL DESCRIPTION:	Lots 1, 14 and 24, Square 711, First District, Orleans Parish, LA
DIMENSIONS:	97.59' x various dimensions
LAND AREA:	±12,512 SF
ZONING:	RD-3, Two Family Residential District
COMMENTS:	This is the sale of a irregularly shaped, interior parcel of land located on Banks Street between S. Genios and S. Telemachus Street. At the time of sale, Lot 24 (3621-23 Banks Street) was improved with a one story residential double in poor condition. According to the agent, no contributory value was attributed to the improvements. The remaining area was vacant and cleared. The vendee purchased the site for future residential development.
UNIT PRICE:	$7.99 PSF
VERIFICATION:	Courthouse records and listing agent

LAND VALUE ANALYSIS AND CONCLUSIONS

The appraisers have conducted a thorough examination of comparable land sales within the Subject's area. The appraisers are familiar with the subject area and has extensive experience in the subject's marketplace.

Comparing the subject site with the comparables, the appraisers made adjustments to compensate for differences in the sales. In the analysis, a paired sales technique was attempted. The paired sales technique helped support the appraisers conclusions. Ultimately, the market value adjustments and the resulting value conclusions and the resulting value conclusions are still the opinion of the appraisers. Statistical analysis is not possible. Nevertheless, a reasonable marketing pattern can be ascertained from the sales presented. A reasonable market value estimate for the subject site "as if vacant" is presented as follows:

The appraisers have considered adjustments for property rights conveyed, conditions of sale, time, location, size and physical characteristics.

Property Rights Conveyed

Property rights conveyed considers the real property rights transferred in each sale. This adjustment typically reflects the difference between a Fee Simple Estate and a Leased Fee Estate. In this analysis, all sales represented Fee Simple Estate transactions. Thus, no adjustment was made.

Conditions of Sale

A condition of sale adjustment reflects atypical sale conditions or motivation. Such conditions or motivations may include adjacent ownerships, lack of exposure on the open market, plottage, tax considerations, eminent domain in proceedings, etc. In this analysis, adjustments for conditions of sale have not been considered.

Time Adjustments

The sales in this analysis took place between February 2011 and February 2012. A matched paired sales analysis proves time adjustments are difficult to ascertain. In this particular instance, the appraisers feel time adjustments are not supported in this analysis.

Location Adjustments

Location appears to be the most significant influence on land values in most sections of the city. A significant amount of land sales are retained in the appraiser's data base. Please note that sales of land on quality thoroughfares can sometimes influence value. The precise amount of influence is difficult to ascertain. Sale Nos. 1 and 3 are considered to be superior in location to the subject and were adjusted downward. No adjustment was considered for Sale No. 2.

Size Adjustments

The appraisers are aware of the ramifications of size when comparing the subject site to the sales. In this particular instance, the subject site is a ±6,549 SF parcel located on the corner of St. Philip and N. Dorgenois Streets. The comparable land sales utilizing in this analysis range from 2,875 SF to 12,512 SF. The appraisers have attempted a match paired sales analysis in order to ascertain whether or not this comparable would require a size adjustment. Sale No. 1 is a 2,875 SF site located on Lapeyrouse Street that sold in February 2012 for a unit of $6.43 PSF. Sale No. 3 is the June 2011 sale of a 12,512 SF site located on Banks Street that sold for a unit price of $7.99 PSF. Sale No. 3 is slightly superior in location. Both sales are similar in utility. Pairing these sales tends to substantiate that size adjustments are not warranted. Other pairings of comparables reviewed (not shown in the report) indicated similar patterns. Therefore, size adjustments will not be made.

Physical/Zoning Adjustments

The appraisers will establish the market value for the site that is vacant, cleared, and filled. The subject is an corner parcel with good utility. Sale Nos. 2 and 3 are considered inferior from a physical standpoint and were adjusted upwards. No adjustment is required for Sale No. 1. Zoning adjustments are not considered warranted.

	Subject	Sale 1	Sale 2	Sale 3
LOCATION	St. Philip	Lapeyrouse	Louisiana Ave Pkwy	Banks
Sale Date	8/22/12	2/17/12	2/18/11	6/15/11
Sale Price	---	$18,500	$24,000	$100,000
Size (SF)	6,549	2,875	5,034	12,512
Price PSF	---	$6.43	$4.77	$7.99
ADJUSTMENTS				
Property Rights Conveyed	---	---	---	---
Condition of Sale	---	---	---	---
Adjusted Price PSF	---	$6.43	$4.77	$7.99
Time	---	---	---	---
Adjust. Time	---	$6.43	$4.77	$7.99
Location	---	-5%	---	-10%
Size	---	---	---	---
Physical	---	---	+5%	+5%
COMPOSITE	---	-5%	+5%	-5%
PRICE PSF for the Subject	**---**	**$6.11**	**$5.01**	**$7.59**

The comparable sales are showing an adjusted market value range between $5.01 PSF to $7.59 PSF. The mean of the comparables is $6.24 PSF.

In the analysis, the appraisers considered all the subject's physical characteristics. The subject site contains 6,549 SF. After review of all comparable information, it is the appraisers' opinion that the subject site (as vacant) has market value of $6.11 PSF or $40,000. The "whole dollar" value has been considered herein

Therefore, it is the opinion of the appraisers that the value of the subject's site (vacant), as of August 22, 2012, is ......

FORTY THOUSAND DOLLARS
$40,000

ESTIMATE OF VALUE BY THE SALES COMPARISON APPROACH

The Sales Comparison Approach involves a direct comparison of the property being appraised to similar properties that have sold in the same or in a similar market to derive a market value indication for the property being appraised. This approach is also called the Direct Sales Comparison Approach.

Carefully verified and analyzed market data is good evidence of value when it represents typical actions and reactions of buyers, sellers, users, and investors. The market value estimate has been categorized as an interpretation of the reactions of typical users and investors in the market. The Sales Comparison Approach, like the Cost Approach, is based on the principle of substitution. In this approach, it is implied that a prudent person will not pay more to buy a property than it will cost to buy a comparable substitute property.

One method of valuation by this approach is a direct comparison based upon the sales price PSF of building area. This is a simplistic comparison, and it can be affected by the land to building ratio, and numerous conditions within each property, such as age, condition, construction quality, deferred maintenance, as well as the basic dissimilarities between the properties. The most serious difficulty in using this parameter results from the fact that in most cases, the sale is affected by leases which encumber the property which is sold. It is generally not possible to take the effect of these leases into consideration within this comparison technique. Usually, when the direct price PSF technique is utilized, the contributory value of the improvements is used for comparison and is determined by abstraction in the sales data. The land value at the time of sale is deducted from the purchase price, along with a depreciated allocated contributory improvement value results. Please note that use of this technique requires an individual land appraisal for each comparable. The appraisers have done this on an individual basis by reviewing land sales in the immediate area and subsequently rendering an individual appraised value for each comparable. This comparable land sale information is retained in our file systems.

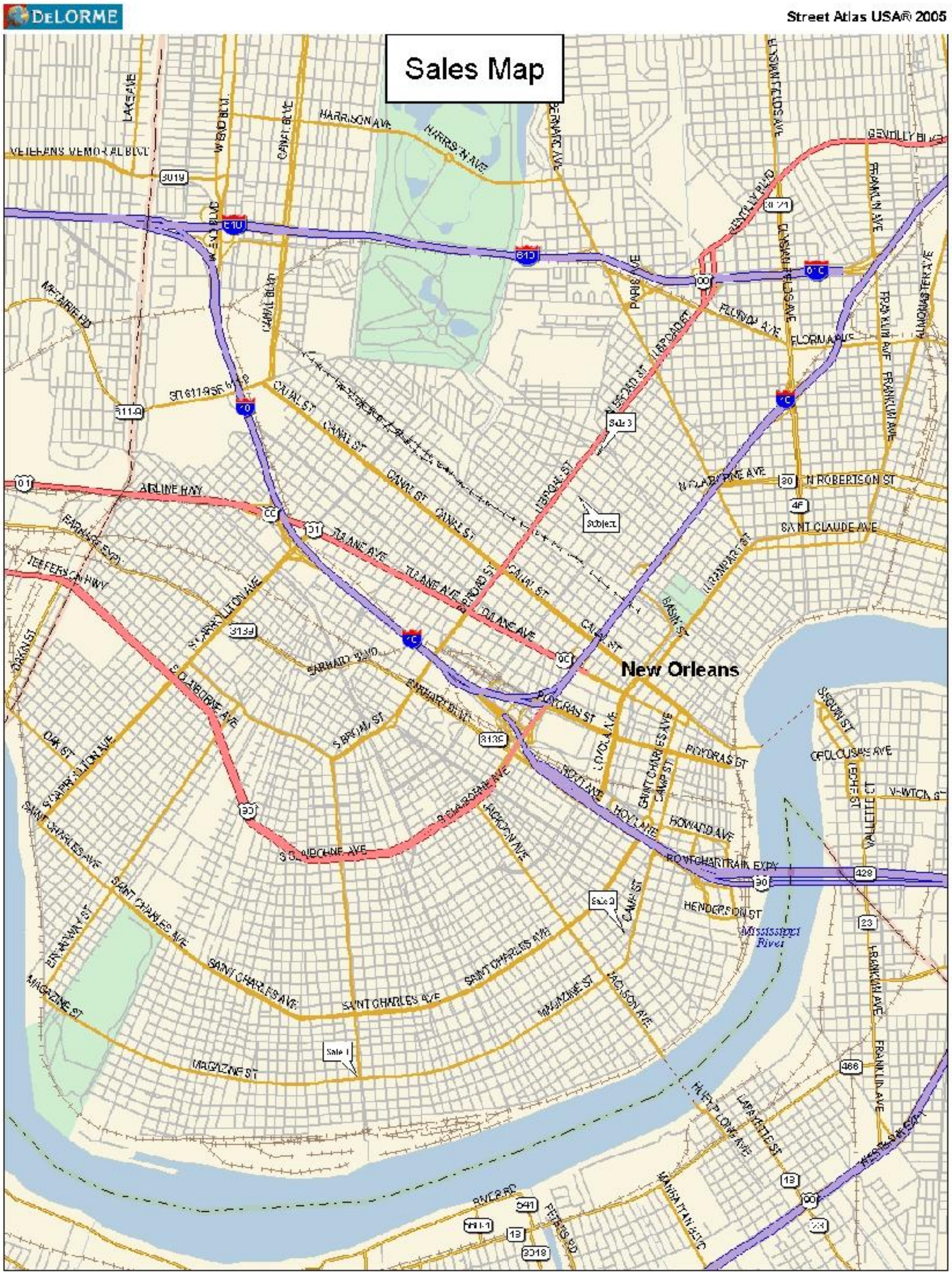
Another method of valuation is a Gross Rent Multiplier. A Gross Rent Multiplier, (GRM), is a number which expresses the ratio between the sales price of a property and its gross income. If there are a large number of recent sales with reliable raw data, this may be appropriate, but only if at each comparable (and the subject) the properties have a similar occupancy and expense ratio, and financing terms are similar.

Within the Sales Comparison Approach, data is also collected for application to the income set forth in the Income Approach. If the net income from the comparable sales properties is divided by the sales price, an overall rate can be determined which can then be employed in the Income Approach in this report. The overall rate used in the Income Approach may also be "built-up" through a synthesis of currently available mortgage terms and anticipated cash flow rates into an overall rate for the appraised property.

Please note that in all cases the sales were verified in the parish courthouse. In Louisiana, all sales of real property must be legally recorded at the proper sale price. Courthouse verification is generally considered accurate for appraisal purposes. Whenever possible, the vendor or vendee were contacted to verify the sale. If two corporations are involved, either the vendor or vendee is always contacted to determine if the sale is arms length. All sales found within this approach are arms length to the appraisers' knowledge. Further, a great deal of effort was undertaken by the appraisers to determine the marketing time of each sale. Various sources were contacted in this effort (including, but not limited to the property owners, the surrounding property owners, real estate agents and brokers, other appraisers, etc.). In the sales that follow, marketing time was reported only for those sales in which the marketing time exceeded one year. If no marketing time is shown, it is our understanding that the sale took place within one year. Throughout this report, the assumption for the interest appraised is that it can be marketed within a period of one year or less (unless otherwise stated). Please be aware that past marketing times reported by sales information is not necessarily indicative of future marketing times. There is no such thing as a perfect time indicator. Each property would sell based upon its own unique characteristics within the marketplace. The marketing time and values are based upon our perception of the market's movement at the time of this appraisal.

On the following pages, several of the comparable improved property sales are presented for review. The appraisers will then make direct market comparison. The location of each of these sales is pinpointed on the enclosed map which follows:

Street Atlas USA® 2005



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Data Zoom 12-0

IMPROVED COMPARABLE SALE NO. 1

LOCATION:	912 Napoleon Avenue, New Orleans, LA
DATE:	June 12, 2012
RECORDATION:	NA# 2012-23403
VENDOR:	Atkins NOLA, LLC, represented by Jerry Atkins
VENDEE:	Winingder Enterprises, LLC, represented by Thomas K. Winingder
SALE PRICE:	$560,000 cash
LEGAL DESCRIPTION:	Lots 7, 8, 1/2 of 9 and Part of 12, Square 232, Sixth District, Orleans Parish, LA
LAND AREA:	±11,250 SF or 0.26 Acres
BUILDING AREA:	±11,607 SF
LAND:BLDG. RATIO:	0.97:1.00
ZONING:	RD-2, Two Family Residential District
IMPROVEMENT DATA:	This sale consists a 2 1/2 story brick/masonry building constructed 1922 as the Home for The Sisters of St. Vincent School. The building had been vacant for many years and was in unrenovated "shell" condition. Interior features include wood/tile floors and painted plaster/drywall walls and ceilings. The property faces Lawrence Square Park and contains access via Jena Street. Site improvements include fencing and 7 off street parking spaces. The vendee intends to renovate the facility into 7 upscale apartments ranging in size from 1,076 SF to 1,529 SF.
UNIT SALE PRICE:	$48.25 PSF
VERIFICATION:	Courthouse records and vendee

IMPROVED COMPARABLE SALE NO. 1

(continued)

PHOTOGRAPH:

IMPROVED COMPARABLE SALE NO. 2.

LOCATION:	1220 Felicity Street & 1816-18 Chestnut Street, New Orleans, LA
DATE:	January 31, 2011
RECORDATION:	NA# 2011-04767
VENDOR:	Board of Trustees of the Louisiana Annual Conference of the United Methodist Church (Southeast Division), represented by C.A. Martin, III
VENDEE:	Felicity Church, LLC, represented by Lawrence Blake Jones
SALE PRICE:	$250,000 cash
LEGAL DESCRIPTION:	Lots 10-12, Square 174, First District, Orleans Parish, LA
LAND AREA:	10,310 SF or 0.24 acres
BUILDING AREA:	±12,100 SF total - 10,000 SF (church), ±2,100 (rectory)
LAND:BLDG. RATIO:	0.85:1.00
ZONING:	RM-2, Multiple Family Residential District
IMPROVEMENT DATA:	This property consists of a masonry and brick veneer church that was originally constructed in ±1849. The primary improvement contains ±10,000 SF and has historically been used as a church facility. The property was badly damaged by Hurricane Katrina. It is essentially a building shell in poor condition that was in need of complete renovation/restoration at the time of sale. It is currently undergoing renovations and repairs by the new owner who intends to convert the property into a 5-7 unit condominium project. Also included in this sale is an adjacent residential building, which contains ±2,100 SF. This building was in overall fair condition, according to the selling agent. The purchaser moved into this building after closing the sale.

IMPROVED COMPARABLE SALE NO. 2

(continued)

COMMENTS:	According to the selling agent, this was a distressed sale. The original asking price was $550,000 before an agreed upon final sale price of $250,000. As mentioned, there is an auxiliary building (basically a converted residence) included in this sale. This building was in fair condition at the time of sale.
UNIT SALE PRICE:	$20.66 PSF
VERIFICATION:	Courthouse records and selling agent.
PHOTOGRAPH:	

IMPROVED COMPARABLE SALE NO. 3

LOCATION:	2540 Esplanade Avenue, New Orleans, LA
DATE:	June 29, 2011
RECORDATION:	NA# 2011-23484
VENDOR:	Presbytery of South Louisiana, represented by Donald R. Frampton
VENDEE:	ESNO, LLC, represented by Misha Kachkachishvili
SALE PRICE:	$395,000 cash
LEGAL DESCRIPTION:	Lot D-1, Square 345, Second District, Orleans Parish, LA
LAND AREA:	±14,298 SF or 0.33 acres
BUILDING AREA:	±9,185 SF
LAND:BLDG. RATIO:	1.56:1.00
ZONING:	B-2, Neighborhood Business District
IMPROVEMENT DATA:	This property consists of a facility that has historically been used as a church located on Esplanade Avenue in New Orleans. The improvements contain ±9,185 SF and basically consist of a building "shell" that needs renovation. That said, the building is considered to be structurally sound. The improvements consist of a brick veneer and windowed church building with a pitched asphalt shingle roof upon a concrete slab foundation. Site improvements include minor landscaping, some paved areas, and a rear yard accessible from Barracks Street.
COMMENTS:	This property has been vacant since Hurricane Katrina and is in need of complete renovation. The purchaser intends to use the building for a music recording studio.
UNIT SALE PRICE:	$43.00 PSF
VERIFICATION:	Courthouse records and listing agent

IMPROVED COMPARABLE SALE NO. 3.

(continued)

PHOTOGRAPH:

Analysis of Comparable Market Data

The subject consists of a vacant 2 story commercial building that contains ±6,291 SF/GBA. The land to building ratio is 1.04:1.00. The subject have been vacant since Hurricane Katrina and is in unrenovated "shell" condition. The appraisers researched shell type building sales throughout the Metropolitan Area in order to value the subject.

Under the Direct Price PSF technique, the appraisers will base the subject's value on a price PSF/GBA analysis. Adjustments will be made for location, size, quality, condition and land to building ratio.

Property Rights Conveyed

Property rights conveyed considers the real property rights transferred in each sale. This adjustment typically reflects the difference between a Fee Simple Estate and a Leased Fee Estate. In this analysis, all of the sales were Fee Simple transactions. Therefore, no adjustments were necessary.

Conditions of Sale

Condition of sales adjustments reflect atypical sale conditions or motivation. Such conditions or motivations may include adjacent ownerships, lack of exposure on the open market, plottage, tax considerations, eminent domain proceedings, etc. The appraisers believe a condition of sale adjustment is warranted for Sale No. 2. According to the listing agent, this was a distressed sale. The seller was looking to sell the property quickly and settled on a price of $250,000, which was significantly less than the original asking price of $550,000. As such, a positive condition of sales adjustment has been made to Sale No. 2.

Time Adjustments

Regarding time adjustments, the sales occurred between January 2011 and June 2012. The sales are relatively new and the best available for comparison with the subject. A matched pair sales analysis tends to indicate that time adjustments are difficult to prove. Thus, time adjustments are not considered warranted.

Location Adjustments

Size adjustments will be made and will be based on a matched pair analysis and on the appraisers' perception of the sales.

Size Adjustments

Size adjustments will be made and will be based on a matched paired sales analysis and the appraisers' perception of the sales.

Quality Adjustments

Quality adjustments will be made based on the appraisers' perception of the finish and building materials of the comparables vs. the subject (based on inspection). Quality adjustments are based on a review of Marshall Steven's Cost Manual and the appraisers' opinion.

Condition adjustments

Condition adjustments are based on the appraisers' perception of the condition of the comparables at the time of sale.

Land to Building adjustments

Land to building ratio adjustments consider the comparables land to building ratio compared to the subject's.

COMPARABLE SALES ADJUSTMENT CHART				
Sale No.	**Subject**	**Sale 1**	**Sale 2**	**Sale 3**
Sale Date	8/22/12	6/12	1/11	6/11
Sale Price	---	$560,000	$250,000	$395,000
Size (SF)	6,291	11,607	12,100	9,185
Land:Bldg Ratio	1.04:1.00	0.97:1.00	0.85:1.00	1.56:1.00
Price PSF	---	$48.25	$20.66	$43.00
ADJUSTMENTS				
Property Rights Conveyed	---	---	---	---
Condition of Sale	---	---	+25%	---
Adjusted Price PSF	---	$48.25	$25.83	$43.00
Time		---	---	---
Adj. Time	---	$48.25	$25.83	$43.00
Location	---	-30%	-20%	-10%
Size	---	+10%	+10%	+5%
Quality	---	---	-5%	-5%
Condition	---	-15%	-5%	-10%
Land:Bldg Ratio	---	---	---	-5%
COMPOSITE	---	-35%	-20%	-25%
Price PSF for the Subject	**---**	**$31.36**	**$20.66**	**$32.25**

Discussion of Comparable Sales

Comparable No. 1 is the June 2012 sale of 11,607 SF, two story, masonry shell building located at 912 Napoleon Avenue. It sold for a unit price of $48.25 PSF. A -30% location adjustment was considered when compared to the subject. A +10% size adjustment was warranted (11,607 SF vs. 6,291 SF). No quality adjustment was made. A -15% condition adjustment was applied which considers deferred maintenance affecting the subject. No land to building ratio adjustment was necessary. After all adjustments, this comparable indicates a value for the subject of $31.36 PSF.

Comparable No. 2 is the January 2011 sale of 12,100 SF, former church facility located at 1220 Felicity Street/1816-18 Chestnut Street. It sold for a unit price of $25.83 PSF (after condition of sale adjustment). This location is superior to the subject and a -20% adjustment was warranted. A +10% size adjustment was warranted (12,100 SF vs. 6,291 SF). A -5%

quality was given for this sale's superior characteristics. A -5% condition adjustment was necessary. No land to building ratio adjustment was necessary. After all adjustments, this comparable indicates a value for the subject of $20.66 PSF.

Comparable No. 3 is the June 2011 sale of 9,185 SF, former church facility located at 2540 Esplanade Avenue. It is sold for a unit price of $43.00 PSF. A -10% location adjustment was necessary as the "Esplanade Ridge" location of this sale is deemed superior. A +5% size adjustment was warranted. A -5% quality adjustment was made for superior building characteristics. A -10% condition adjustment was applied. A -5% land to building ratio adjustment was applied. After all adjustments, this comparable indicates a value for the subject of $32.25 PSF.

The comparable sales indicate a unit value range for the subject between $20.66 PSF/GBA and $32.25 PSF/GBA. The mean of the sales is $28.09 PSF/GBA. Given the subject's size, location, current economic conditions, etc., the appraisers will estimate a unit value for the subject of $27.82 PSF or $175,000. This considers the "whole dollar" value.

Therefore, the "as is" market value estimate for the subject property via the Sales Comparison Approach, as of August 22, 2012 is ......

ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS
$175,000

The estimated future marketing time for the property is between one and three years. The market value estimate above assumes that the marketing period has already passed (exposure time) and that this is the price that was negotiated as of the effective date of the appraisal.

It is the appraisers' opinion that the subject property could be successfully marketed at the above value within a period of about one year. This is considered to be a "reasonable time for the subject property to be exposed to the open market". This assumption is also predicated on the fact that the subject is aggressively marketed with a quality/experienced brokerage firm (allowing for high visibility and a determined marketing effort).

Thank you very much for the opportunity to complete this appraisal assignment. We trust our findings will prove to be of a beneficial nature to you. If you have any questions or comments, please do not hesitate to call.

Sincerely yours,

David O. Melancon

David O. Melancon, Associate
Louisiana Certified
General Real Estate Appraisal
License No. G1539

Bush G. Benton

Bush G. Benton, MAI
Louisiana Certified
General Real Estate Appraisal
License No. G0847

CERTIFICATION

I/we certify that, to the best of my/our knowledge and belief:

- the statements of fact contained in this report are true and correct. However, no responsibility is assumed for the accuracy of such information as survey, title information, measurements, and other information such as comparable and other data furnished by others.

- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my/our personal, unbiased professional analyses, opinions and conclusions. The report may also be limited by the market value premise imposed by the terms of the assignment (any limitation is clearly stated).

- I/we have no present or prospective personal interest in the property which is the subject of this report.

- I/we have no personal bias with respect to the property that is the subject of this report or to the parties involved in this assignment.

- my/our compensation is not contingent upon an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

- the report analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice. The fee for making this report does not include any court testimony or pre-trial conferences.

- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives, as well as the requirements of the State of Louisiana relating to review by the Real Estate Appraisal Subcommittee of the Louisiana Real Estate Commission.

- Bush G. Benton is currently certified under the Appraisal Institute and is Louisiana Certified General Real Estate Appraisal License No. G0847.

- as of the date of this report, Bush G. Benton has completed the requirements of the continuing education program of the Appraisal Institute.

- I/we have made a personal inspection of the property that is the subject of this report and have inspected all comparables utilized in this report (unless otherwise noted).

- no one provided significant professional appraisal assistance to the person or persons signing this report other than the person(s) already prominently mentioned at the appropriate section of the report where the nature of the contribution was noted.

- I/we have not previously appraised the subject property within the past three years.

David O. Melancon
David O. Melancon, Associate
Louisiana Certified
General Real Estate Appraisal
License No. G1539

Bush G. Benton
Bush G. Benton, MAI
Louisiana Certified
General Real Estate Appraisal
License No. G0847

QUALIFICATIONS OF THE APPRAISER

BUSH G. BENTON, MAI

REAL ESTATE EXPERIENCE:

Formed Stegall, Benton & Associates, LLC (1996 to present). The firm is located in New Orleans and maintains its present posture as a quality, independent real estate appraisal firm that provides a range of services including real estate appraisals, reviews, counseling, litigation, and investment analysis.

Affiliated appraiser with Steven Stegall & Associates, from April, 1991 to 1996, a commercial, industrial, and consulting firm.

Affiliated appraiser with Kenneth Kuebel & Associates, from January 1990 to May, 1991, a commercial, industrial and investment real estate appraisal, consulting, brokerage and development firm.

Marketing assistant with B.J.F. Development, Inc. from November 1988 to May 1989, a asset management firm.

PROFESSIONAL AFFILIATIONS AND ACTIVITIES:

Member of the Appraisal Institute, MAI Designation (Certificate No. 10,943)
Louisiana Certified General Real Estate Appraisal License No. G0847
Co-Chairman of the Louisiana Chapter of the Appraisal Institute (1998)
Secretary of the Louisiana Chapter of the Appraisal Institute (2000)
Treasurer of the Louisiana Chapter of the Appraisal Institute (2001)
Vice President of the Louisiana Chapter of the Appraisal Institute (2002)
President of the Louisiana Chapter of the Appraisal Institute (2003)
Licensed Real Estate Salesman - State of Louisiana (No. 1080)
Graduate, Missouri Auction School (Nov. 1997)
Licensed Auctioneer - State of Louisiana

EDUCATION:

Louisiana State University, Baton Rouge - B.A. Degree General Studies; minor in Business Administration

Successful completion of the following courses and examinations:

APPRAISAL INSTITUTE

Course 1A-1:	Real Estate Appraisers Principles, Tuscaloosa, AL	1990
Course 1A-2:	Basic Valuation Procedures, Jackson, MS	1990
Course SSP:	Standards of Professional Practice, Baton Rouge, LA	1991
Course 1BA:	Capitalization Theory and Techniques, Pt. A, Austin, TX	1991
Course 1BB:	Capitalization Theory and Techniques, Pt. B, Houston, TX	1992
Course 550:	Advanced Applications, Houston, TX	1993
Course 540:	Report Writing & Valuation Analysis, Athens, GA	1994

QUALIFICATIONS OF THE APPRAISER

BUSH G. BENTON, MAI

(continued)

COURT TESTIMONY/MISCELLANEOUS:

Have been retained in conjunction with a number of law suits regarding various disputes involving value.

Issued various a Appraisals for federal court cases.

Approved and testified as an Expert Real Estate Appraiser for the Louisiana Tax Commission hearings.

Approved and testified as an Expert Real Estate Appraiser for the Civil District Court, Orleans Parish. will

Approved and testified as an Expert Real Estate Appraiser for the United States District Court, Eastern District of Louisiana.

QUALIFICATIONS OF THE APPRAISER

DAVID O. MELANCON

WORK EXPERIENCE:

February 2000 to present:	Affiliated appraiser with Stegall, Benton and Associates. The firm is located in Metairie and maintains its present posture as a quality independent real estate appraisal firm that provides a range of services including real estate appraisals, reviews, counseling, litigation and investment analysis.
January 1999 to January 2000:	Richard L. Murphy and Associates in Metairie, LA. Job description included residential appraisals of condominiums, townhomes, vacant land, single family homes and multi-family residences.
June 1998 to December 1998:	Western Geophysical Company in London, England. Worked on a team that monitored health and safety of the company's vessels primarily located in the North Sea.
January 1998 to May 1998:	Western Geophysical Company in Metairie, LA. Job description included indexing seismic prints, logs, maps and support data relevant to offshore wells in the Gulf of Mexico.

PROFESSIONAL AFFILIATIONS & ACTIVITIES:

Louisiana Certified General Real Estate Appraisal License No. G1539

EDUCATION:

Louisiana State University, Baton Rouge - B.S. degree in Geography, 1997

Successful completion of the following courses and examinations:

Appraisal Institute

Course 110: Appraisal Principles, Houston, TX	2000
Course 120: Appraisal Procedures, Houston, TX	2000
Course 310: Basic Income Capitalization, San Antonio, TX	2002
Course 320: General Applications, Chicago, IL	2002
Course 410: USPAP: Standards of Professional Practice, Houston, TX	2004
Course 420: Business Practices and Ethics, Houston, TX	2004
Course 510: Advanced Income Capitalization, Houston, TX	2003
Course 520: Highest & Best Use and Market Analysis, Atlanta, GA	2004
Course 550: Advanced Sales Comparison & Cost Approaches, Houston, TX	2007
Course 540: Report Writing and Valuation Analysis, Houston, TX	2008
Course 550: Advanced Applications, Houston, TX	2010

State of Louisiana

Certified General Appraiser License

Having complied with the license requirements as set forth in in R.S.1950 Title 37, Chapter 51, and Amendatory Arts, and the Real Estate Appraisers Board Rules and Regulations, a Certified General Appraiser License is hereby granted to

BUSH G. BENTON

BILL COBB

In Testimony Whereof, This license has been issued by the Authority of the Louisiana Real Estate Appraisers Board.

Period Covered: 01 01 2012 Through 12 31 2013

Chairman

License Number: G0847

Gayle H Boudousquie

Secretary

State of Louisiana

Certified General Appraiser License

Having complied with the license requirements as set forth in in R.S.1950 Title 37, Chapter 51, and Amendatory Acts, and the Real Estate Appraisers Board Rules and Regulations, a Certified General Appraiser License is hereby granted to

DAVID O. MELANCON

BILL COBB

In Testimony Whereof, This license has been issued by the Authority of the Louisiana Real Estate Appraisers Board.

Period Covered: 01 01 2012 Through 12 31 2013

Chairman

License Number: G1539

Gayle H Boudousquie

Secretary